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23 September 2014

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

Dear Sir

In accordance with the Listing Rules, please find attached:

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

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

Yours faithfully

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

Malcolm G Tyler
Company Secretary

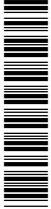
Att:



GUD Holdings Limited

ABN 99 004 400 891

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



Dear Shareholder,

On behalf of the Board of Directors, it is my pleasure to invite you to attend the Annual General Meeting of Shareholders of GUD Holdings Limited to be held at the RACV Club, Level 17, 501 Bourke Street, Melbourne on Tuesday, 28 October 2014 at 10.00am (AEDT).

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

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

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

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Ross Herron'.

Ross Herron
Chairman



GUD Holdings Limited
ACN 004 400 891

NOTICE OF ANNUAL GENERAL MEETING

The 2014 Annual General Meeting of GUD Holdings Limited (the Company) will be held at the RACV Club, Level 17, 501 Bourke Street, Melbourne on Tuesday, 28 October, 2014 at 10:00am (AEDT) to transact the following business. Registration will commence at 9:30am.

1. Financial statements and reports

To receive and consider the Financial Report of the Company and the Reports of the Directors and Auditor for the year ended 30 June 2014.

ORDINARY BUSINESS

2. Election of Directors

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

2.1 Re-election of Mark Smith

“That Mr Mark Smith, who retires by rotation in accordance with Rule 34(d) of the Company’s Constitution, and, being eligible, offers himself for re-election, be re-elected.”

2.2 Re-election of Graeme Billings

“That Mr Graeme Billings, who retires by rotation in accordance with Rule 34(d) 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 election of Directors.

3. Remuneration Report

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

“That the Remuneration Report for the year ended 30 June 2014 (as set out in the Directors’ Report on pages 24 to 37 of the 2014 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)

SPECIAL BUSINESS

4. Approval of LTI grant to Managing Director

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

“That approval is given for the grant of 90,259 Performance Rights to the Company’s Managing Director, Mr Jonathan Ling, under the Long Term Incentive Equity Plan on the terms summarised in the Explanatory Notes to this Notice of Meeting.”

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

5. Renewal of Proportional takeover approval provisions

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

“That the Company renew the proportional takeover approval provisions contained in Rule 73 of the Company’s constitution with effect from 1 December 2014 for a period of 3 years.”

By order of the Board

Malcolm G Tyler
Company Secretary

Melbourne
23 September 2014

INFORMATION FOR SHAREHOLDERS

Attendance at the meeting

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

Voting

For the purposes of voting at the meeting, the Directors have determined that persons holding shares in GUD Holdings Limited registered as at 7.00 p.m. (AEDT) on 26 October 2014 will be treated as shareholders of the Company.

Appointment of proxies and corporate representatives

A proxy form accompanies this Notice of Annual General Meeting.

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

If a shareholder is a corporation, it can attend and vote at the meeting by appointing an individual person to act as its corporate representative or by appointing a proxy to attend and vote on its behalf.

If a shareholder is a corporation and wishes to appoint a corporate representative, the corporate representative must produce a certificate of appointment prior to admission to the meeting signed in accordance with section 127 of the Corporations Act 2001 (Cth) (Corporations Act).

If a shareholders wishes to appoint a body corporate to act as a proxy, the shareholder must specify on the proxy form:

- the full name of the body corporate appointed as proxy; and
- the full name or title of the individual representative of the body corporate at the meeting.

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

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

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

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

The term "closely related party" is defined in the Corporations Act and includes a KMP's spouse, dependant and certain other close family members, as well as any companies controlled by the KMP. If you intend to appoint a member of the KMP as your proxy, please ensure that you direct them how to vote on Items 3 and 4. If you intend to appoint the Chairman of the meeting as your proxy, you can direct him how to vote on Items 3 and 4 by marking the relevant boxes on the proxy form. However, if the Chairman of the meeting is your proxy and you do not mark any of the boxes opposite Items 3 and 4, he will still be able to exercise your proxy as you will be deemed to have expressly authorised him to do so.

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 26 October 2014.

Vote online:

www.investorvote.com.au

By mail:

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

By hand:

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

Alternatively you can fax your form to:

(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

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

For enquiries call:

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

Voting Exclusions

For all resolutions that are directly or indirectly related to the remuneration of a member of the Key Management Personnel (KMP) of the Company (being resolutions in respect of Items 3 and 4), the Corporations Act restricts KMP and their closely related parties from voting in their own right or as proxies in certain circumstances.

As set out above, closely related party is defined in the Corporations Act and includes a spouse, dependant and certain other close family members, as well as any companies controlled by the KMP.

In addition, a voting restriction applies in respect of Item 4 under the ASX Listing Rules.

3 Remuneration Report

The Company will disregard any votes cast on Item 3:

- by or on behalf of a member of the KMP named in the Remuneration Report or that KMP's closely related party (regardless of the capacity in which the vote is cast); or
- as a proxy by a member of the KMP at the date of the Annual General Meeting or their closely related party,

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

- in accordance with a direction on the proxy form; or
- by the Chairman where he has been expressly authorised to exercise the proxy (even though the resolution is connected directly or indirectly with the remuneration of a member of the KMP).

4 Approval of LTI grant to Managing Director

The Company will disregard any votes cast on Item 4 in any capacity by or on behalf of the Managing Director (being the only Director entitled to participate in an employee incentive scheme) and any of his associates.

In addition, the Company will disregard any votes cast on Item 4 by the KMP of the Company at the date of the Annual General Meeting and their closely related parties unless the vote is cast as proxy for a person entitled to vote on Item 4:

- in accordance with a direction on the proxy form; or
- by the Chairman where he has been expressly authorised to exercise the proxy (even though the resolution is connected directly or indirectly with the remuneration of a member of the KMP).

Reviewing the Annual Report

If you have not received a copy of the Annual Report with this Notice of Meeting you may view the 2014 GUD Annual Report online at the Company's website www.gud.com.au.

Share Registry

Computershare Investor Services Pty Limited

GPO Box 242,

Melbourne Victoria 3001 Australia

Yarra Falls, 452 Johnston Street,

Abbotsford Victoria 3067 Australia

Enquiries within Australia – 1300 850 505

Enquiries outside Australia - +61 3 9415 4000

Website – www.investorcentre.com

EXPLANATORY NOTES

1 Financial statements and reports

The financial statements of the Company and its controlled entities for the year ended 30 June 2014 and the Directors' Report and Auditor's Report are set out in the GUD Holdings Limited Annual Report 2014.

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

This item is intended to provide an opportunity for shareholders to raise questions on the Reports and on the performance of the Company generally. In addition, a reasonable opportunity will be given to members of 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.

2 Election of Directors

The Board has undertaken a review of the performance of each Director standing for election and re-election and the contribution they have made to the Board and to Board Committees. The Board has also considered the skills and expertise each Director brings to the Board.

The Board considers each of these Directors to be independent.

2.1 Re-election of Mr Mark Smith

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

Appointed Non-Executive Director on 25 May 2009.

Further details regarding Mr Smith are set out on page 38 of the Annual Report.

Board Recommendation

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

2.2 Re-election of Mr Graeme Billings

Graeme A Billings B Com FCA MAICD

Appointed Non-Executive Director on 20 December 2011 and Chairman of the Audit & Compliance Committee on 1 January 2012.

Further details regarding Mr Billings are set out on page 38 of the Annual Report.

Board Recommendation

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

3 Remuneration Report

The Corporations Act requires a non-binding resolution to be put to shareholders for the adoption of the Remuneration Report. The Remuneration Report is set out on pages 24 to 37 of the GUD Holdings Limited Annual Report for the year ended 30 June 2014 and is also available from the Company's website (www.gud.com.au).

In accordance with the Corporations Act, the shareholder vote on this resolution is advisory only and does not bind the Directors of the Company. However, the outcome of the vote could have consequences for the Board. In any event, 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.

The Remuneration Report provides information about:

- remuneration governance;
- executive remuneration strategy and structure;
- details of the remuneration for the Managing Director and senior executives; and
- the link between performance and remuneration outcomes.

As outlined in the Remuneration Report, the Company's remuneration strategy is designed to attract, retain and motivate appropriately qualified and experienced directors and senior executives and to ensure that the Company is 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 Company.

In brief, the Company's executive remuneration framework provides a mix of fixed and variable remuneration and has three components:

- fixed remuneration;
- short-term incentives (STI); and
- long-term incentives (LTI).

Our aim is to increase gradually the 'at risk' components of executives' remuneration relative to fixed remuneration, with an ultimate goal of having around 40% of total remuneration 'at risk' (ie. comprised of STI and LTI).

Members will be given a reasonable opportunity at the AGM 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 2014 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 4 of this Notice of 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.

4 Approval of LTI grant to Managing Director

In accordance with ASX Listing Rule 10.14, shareholder approval is being sought for the proposed grant of 90,259 Performance Rights to the Managing Director, Mr Jonathan Ling under the Long Term Incentive Equity Plan ('Plan') and on the terms set out below.

Details of proposed grant

The proposed grant of Performance Rights to the Managing Director is part of his LTI opportunity for the 2014/2015 financial year and is intended to align Mr Ling's interests with the interests of shareholders and encourage the achievement of the Company's performance goals and growth of the Company's business. The Performance Rights will be subject to a three year performance period and will vest only if the performance conditions are fulfilled.

A brief overview of the details of the proposed grant is set out below. A summary of the operation of the Plan is set out in the Remuneration Report on page X of the Annual Report. Subject to shareholder approval, Mr Ling will be granted a maximum of 90,259 Performance Rights. This number was calculated by applying the formula:

= BS x 60% / VWAP, where

BS is the Base Salary of the Managing Director to be received in FY15, namely \$887,500.

VWAP is the volume weighted average price of GUD shares calculated over the 20 trading days in June 2014, in this case \$5.8997, immediately prior to the commencement of the three year performance measurement period.

A Performance Right is a right to receive a fully paid ordinary share in the Company. If the applicable vesting conditions attaching to the Performance Rights are satisfied, Mr Ling will be able to exercise the Performance Rights and will be allocated fully paid ordinary shares in the Company. Performance Rights do not carry any dividend or voting rights prior to vesting and exercise. Any Performance Rights which do not vest at the end of the applicable performance period will lapse.

As the Performance Rights form part of the Managing Director's remuneration package, they will be granted at no cost to him. No exercise price will be payable by the Managing Director upon exercise of any vested Performance Rights. Further details of the Managing Director's remuneration package are set out in the 2014 Remuneration Report.

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

Performance conditions

The performance conditions will be measured over a three year period commencing at the beginning of the relevant financial year (ie. 1 July 2014). Vesting will be determined by measuring the Company's Total Shareholder Return ('TSR') relative to a comparator group following 30 June 2017.

TSR measures the growth in the price of shares plus cash distributions notionally reinvested in shares. In order for any of the Performance Rights to vest, GUD's TSR must be equal to or greater than the median TSR performance of the comparator group.

The comparator group is the Standard and Poor's ASX Small Ordinaries index, of which the Company forms part, modified to exclude stocks in mining, materials and resources industries. 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 Company for capital and employees. The Company retains the discretion to modify the comparator group in certain circumstances.

The proportion of the grant of Performance Rights that vests will be 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

Trading restrictions

Unless otherwise requested, any shares allocated following satisfaction of the performance conditions will not be subject to any trading restrictions other than those imposed by the Company's securities trading policy.

Cessation of employment

If Mr Ling ceases employment with the Company prior to satisfaction of the performance hurdles applicable to the Performance Rights, then any entitlement he may have to the Performance Rights will depend on the circumstances of the cessation. All rights will lapse in the event of termination for cause.

In accordance with the Plan, in limited circumstances, including death, disability, resignation, retirement, redundancy or termination by the Company for convenience, Mr Ling may become entitled to a pro rata number of rights reflecting the part of the performance period elapsed and the extent to which the applicable performance hurdles have been satisfied at the time of ceasing employment.

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

- Mr Ling is the only Director of the Company entitled to participate in the Plan. No associate of any of the Directors is entitled to participate in the Plan.
- There is no loan scheme in relation to the Plan.
- Following shareholder approval at the 2013 AGM, in November 2013, Mr Ling received a grant of 78,673 Performance Rights under the Plan at no cost to him. Aside from that grants, no securities have been received by any Director or any associate of a Director under the Plan.
- If approval is given for the issue of securities under ASX Listing Rule 10.14, approval is not required under ASX Listing Rule 7.1.

The voting exclusion statement for this resolution is set out on page 4 of this Notice of Meeting. Please refer to the Information for Shareholders in relation to important information relating to voting on this item.

Board Recommendation

The Board (with Mr Ling abstaining) recommends that shareholders vote in favour of this resolution.

5 Renewal of Proportional takeover approval provisions

The Corporations Act permits a company to include in its constitution a provision which enables the company to refuse to register a transfer of shares acquired under a proportional takeover bid unless a resolution is first passed by members approving the bid.

The proportional takeover approval provision in the Company's constitution (Rule 73) was last renewed with the approval of shareholders at the 2011 AGM for a period of 3 years with effect on and from 1 December 2011. Accordingly, the provision will cease to operate from 1 December 2014 unless it is renewed.

Proportional takeover bid

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

Effect of a proportional takeover bid

- If a proportional takeover bid is made for the Company, a share transfer to the offeror cannot be registered until the bid is approved by members not associated with the bidder.
- The resolution must be considered at a meeting held more than 14 days before the bid closes. Each member has one vote for each fully paid share held. The vote is decided on a simple majority. The bidder and its associates are not allowed to vote.
- If the resolution to approve the bid is passed, transfers pursuant to the bid may be registered, but, if the resolution is lost, the bid is taken to be withdrawn. If the resolution is not voted on, the bid is taken to have been approved.
- Under current requirements of the Corporations Act, the new provisions would only apply for 3 years, unless renewed by a further special resolution in a general meeting.
- The provision does not affect a full takeover bid.

Knowledge of any Acquisition Proposals

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

Reasons for and potential advantages and disadvantages of Rule 73

The Directors consider that the takeover approval provisions have no potential advantages for them personally.

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

- Members should be able to vote on whether a proportional bid should proceed;
- It may help members avoid being locked in as a minority and may prevent a bidder acquiring control of the Company without paying a satisfactory control premium;
- It increases members' bargaining power and may assist in ensuring that any proportional takeover bid is adequately priced;
- The right to vote on a proportional bid may also avoid a situation arising where members feel pressured to accept the bid even if they do not want it to succeed;

The Directors have the opportunity to ascertain the views of members in respect of a proportional bid and will ensure that all members will have an opportunity to study a proportional bid proposal and vote on it at a general meeting; and

The provision is likely to influence an intending bidder to structure its offer in a way which is attractive to a majority of shareholders.

The potential disadvantages for shareholders of Rule 73 include:

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

The Directors do not believe the possible disadvantages outweigh the advantages of the proportional takeover provisions operating for the next three years.

Whilst similar takeover approval provisions have been in effect there have been no full or proportional takeover offers for the Company.

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

Board Recommendation

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



GUD Holdings Limited

ABN 99 004 400 891

Lodge your vote:

Online:
www.investorvote.com.au

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

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

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(custodians) www.intermediaryonline.com

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

Proxy Form



Vote and view the annual report online

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



Your access information that you will need to vote:

Control Number:

SRN/HIN: PIN:

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

For your vote to be effective it must be received by 10:00am (AEDT) Sunday, 26 October, 2014

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 except in relation to items 3 and 4 where you have appointed a member of the key management personnel of the Company or one of their closely related parties as your proxy, in which case there are additional restrictions explained below). If you mark more than one box on an item your vote will be invalid on that item.

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

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

A proxy need not be a securityholder of the Company.

Default to the Chairman of the Meeting: Any directed proxies that are not voted on a poll at the meeting will automatically default to the Chairman of the Meeting, who is required to vote proxies as directed.

Proxy voting by key management personnel: The key management personnel of the Company and their closely related parties will not be able to vote your proxy on items 3 and 4 unless you direct them how to vote. If you intend to appoint a member of the key management personnel or one of their closely related parties as your proxy, please ensure that you direct them how to vote on these items. If you intend to appoint the Chairman of the Meeting as your proxy, you can direct him how to vote by marking the boxes for items 3 and 4.

However, if the Chairman of the Meeting is your proxy and you do not mark any of the boxes opposite these items, he will still be able to exercise your proxy as you will be deemed to have expressly authorised him to do so.

Signing Instructions for Postal Forms

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

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

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

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

Attending the Meeting

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

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

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

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 at the RACV Club, Level 17, 501 Bourke Street, Melbourne on Tuesday, 28 October, 2014 at 10.00am (AEDT) and at any adjournment or postponement of that meeting.

IMPORTANT NOTE:

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

STEP 2 Items of Business

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

ORDINARY BUSINESS

	For	Against	Abstain
Item 2.1 Re-election of Mark Smith	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 2.2 Re-election of Graeme Billings	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 3 Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SPECIAL BUSINESS

Item 4 Approval of LTI grant to Managing Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 5 Renewal of Proportional takeover approval provisions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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

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

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

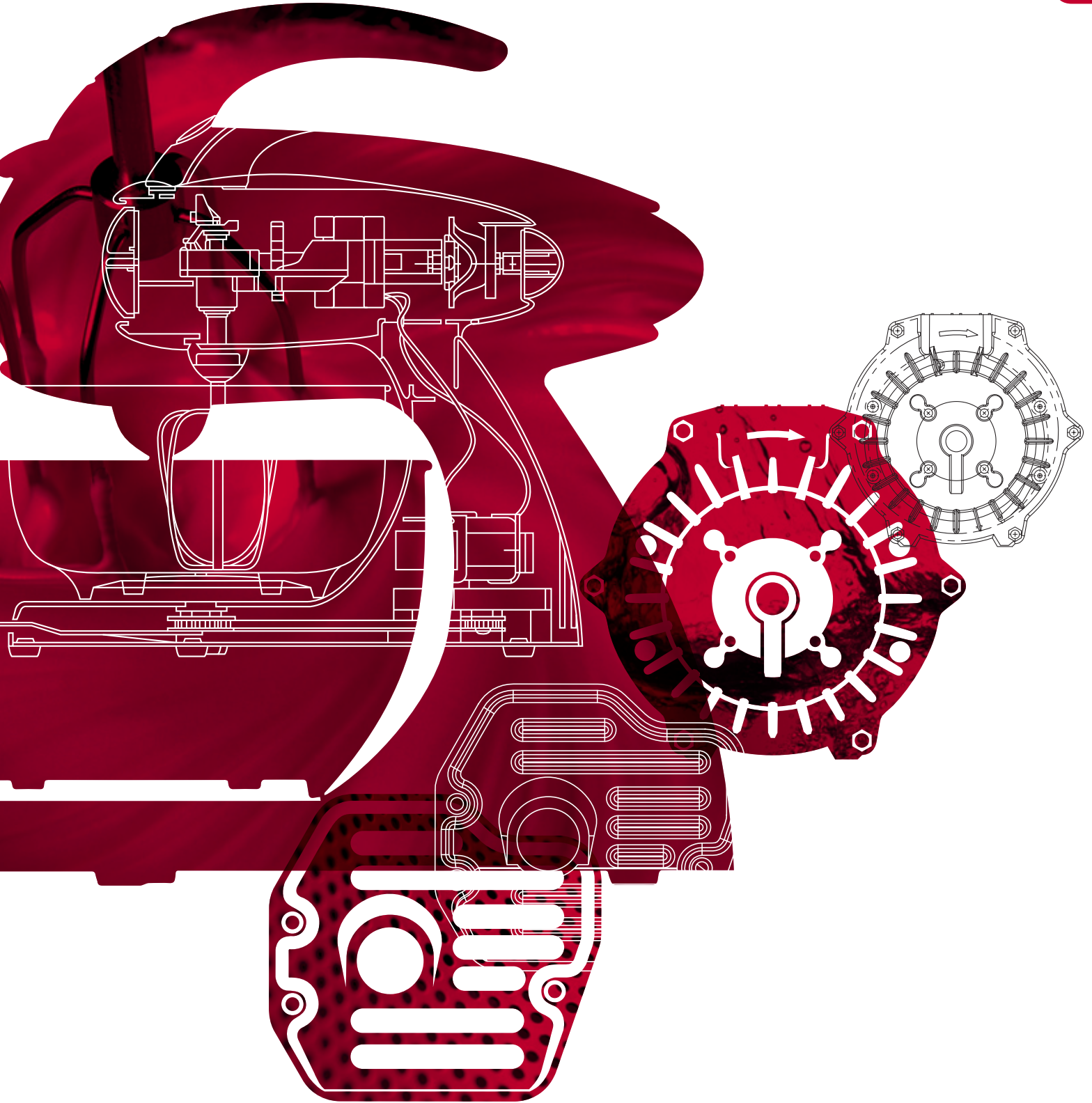
Securityholder 3

Director/Company Secretary

Contact Name _____

Contact Daytime Telephone _____

Date ____ / ____ / ____



Contents

Operating and Financial Review	01
Financial Performance Review	02
Corporate Social Responsibility	08
Risk Review	10
Outlook	11
Summary of Operations	12
Directors' Report	14
Corporate Governance	16
Remuneration Report (Audited)	24
Board of Directors	38
Executives	39
Financial Statements	41
Additional shareholder information	85
Shareholder services and information	86
Financial Summary and Ratios	87
Corporate Directory	88
Financial Calendar 2014/15	IBC

Operating and Financial Review



R M Herron Chairman

J P Ling Managing Director

Overview

The 2013/14 financial year has been one of transition for GUD and its operating businesses. Fundamental changes have been activated across all business units and have spanned all facets of activity, including strategic and operational.

The effect of these changes is not yet fully evident in the Group's financial performance, although there has been a contribution from some initiatives in the reporting year. It is expected that the planned impacts from the various initiatives, which will be described later in this Review, will be apparent in profitability uplifts in 2014/15 and subsequent years.

The continued competitive environments in which each GUD business operates have brought about a major rethink in the way GUD operates and how the business should be structured to meet current trading conditions and those anticipated in the future. For example, each business needs to have a dynamic and embedded innovation program aimed at delivering breakthrough products and services to customers and consumers. This will ensure growing revenue streams in the future and provide an ability to command higher gross profit margins over time.

Equally, there needs to be a more operationally coordinated approach to logistics and supply chain functions to reduce costs and to ensure that each GUD business maintains a low cost-to-serve business approach. A number of actions targeted at this area of cost were implemented in the current year and are detailed later in this Review.

To drive these changes in three of GUD's major businesses new CEO appointments were made during the year. These occurred at Dexion, Sunbeam and Davey and followed Jonathan Ling's commencement as GUD's CEO in August 2013.

Three major Group-wide change programs were launched in the 2013/14 year. These were initiated with the objective of providing each business with a set of tools and capabilities necessary for long-term competitive success. They include:

1. Detailed profitability analysis by customer and by product at most businesses. This provides a more complete understanding of which products and customers are profitable or unprofitable than that offered by traditional accounting tools. It provides businesses with the analytical basis from which to address underperformance, allowing them to put in place targeted actions tackling the major areas of concern.

Detailed profitability analyses were completed at Dexion, Sunbeam, Davey and Oates during the year. Following this the businesses are developing comprehensive profit improvement plans, which are in the process of being implemented. In the 2014/15 financial year it is expected that a profit uplift will occur as a consequence of these actions.

2. The creation of a breakthrough innovation culture is the second major program launched in the year. This is aimed at instilling an innovation mindset and process in each business, using well respected and proven innovation tools. New product and service activity is approached on the basis that some innovation activities will be centred on incremental improvements, some on step change programs and some on real breakthrough ideas. Each business now has a process of creating ideas, filtering those ideas and working on those that potentially provide the most substantial long-term benefit to customers, consumers and to GUD. It is expected that the first truly innovative breakthrough products will be launched towards the end of the 2014/15 year.
3. The third corporate program instigated in the year centres on creating a high performance culture in each operating business. The introduction of this program is partially complete with each business's management team being exposed to the concepts and methodologies and the approach now being entrenched. It is expected that the benefits of this significant cultural change initiative will become evident in the latter half of 2014/15 and beyond.

The primary focus for 2013/14 has centred on introducing the programs described above along with implementing actions aimed at fixing the obvious financial underperformance in the Dexion and Sunbeam businesses. These have included changes at CEO level, as mentioned above, in addition to a number of major restructuring activities that will be described later in this Review. While the full effect of these is not evident in the 2013/14 results it is clear that benefits are beginning to accrue.

Financial Performance Review

Sales

Total GUD group revenue declined marginally to \$591.6 million from \$596.5 million in the previous financial year. Both Dexion and Sunbeam reported lower revenues while all other businesses experienced growth from the prior year. The principal factors influencing the revenue result for the year were:

- A decline in Sunbeam of \$11.3 million. This was caused by continuing competitive conditions in the small appliances market, including continued inroads being made by pod and capsule coffee machines against traditional manual espresso machines, growth of new entrants, especially European brands, and a declining market in Australia, in both unit and value terms.
- A decline in Dexion of \$4.6 million, mainly as a result of competitive conditions in the Australia warehouse racking segment influencing project pricing.
- Despite losing ranging at a major supermarket retailer, as branded product was replaced by housebrands, revenue at Oates grew by two per cent on the prior year. Strong growth in the hardware and commercial market segments offset the decline in grocery.
- The Automotive business continued to benefit from active sales and marketing programs and consequently reported revenue growth of nine per cent in an essentially flat market. New product introductions along with market share gains for both Ryco and Wesfil underpinned this result.
- The Davey water products business experienced a small growth in revenue with New Zealand and Europe being the primary contributors. The turnaround in business conditions in New Zealand was evident through increasing sales to water treatment projects and to spa pool manufacturers, while the European swimming pool products distribution business experienced growth off a relatively low base due to improving conditions in that region. Davey's Australian business was essentially static, with legislation-driven declines evident in the RainBank water conservation product being offset by gains in other market channels. Sales to export markets declined despite improved competitiveness from the declining Australia dollar.
- Lock Focus generated a small increase in revenue stemming from improved sales to the recreational vehicles market segment. This business continues to experience declines in demand in traditional applications as original equipment manufacturers close their local operations and relocate offshore.

Profit

Net profit after tax was \$17.7 million compared with \$31.5 million in the prior corresponding period. One of the factors behind this reduction in net profit was \$19.0 million in pre-tax costs associated with various restructuring programs across the Group being incurred in the year. These costs were, in the main, associated with activities that will contribute to profitability improvements in 2014/15 and future years. They are described in the relevant following sections of this Review.

Underlying EBIT (before restructuring costs) was \$49.0 million, a decline of \$7.5 million on the level reported for 2012/13.

Excluding restructuring costs the principal factors affecting EBIT performance in 2013/14 were:

- A reduction in gross profit of \$6 million, due to the lower sales level and slightly lower gross profit margins in most businesses. The latter was affected by the level of the Australian dollar in the current year relative to the prior year resulting in higher product costs. Some price increases were implemented to offset this, but in a number of market sectors the competitive trading conditions hampered the ability to fully recover these costs through strategic pricing activity.
- The decline in gross profit margin was most evident in Sunbeam, the business that is more exposed to Australian dollar movements due to its scale and reliance on a fully imported product range. The other importing businesses – Oates and Automotive – experienced only minimal reductions in margins due to their relative ability to more easily adjust pricing. The businesses that currently maintain a local manufacturing presence, which is supplemented by imported products – Davey, Lock Focus and Dexion – managed to minimise margin erosion over the year, and in Davey's case a small margin increase was reported, which stemmed from the effect of the lower currency on export sales' margins.
- Total overhead costs increased one per cent to \$171 million. The increase was due partly to increased investments in brand-related spend, including advertising and sales promotion. This spend supported activities aimed at maintaining brand presence with consumers, users and customers to provide a counter to the effects of the competitive market environments.

The customer base for the products developed, sold and marketed by GUD's brands is diverse in scope and geography. All consumers in the home markets of Australia and New Zealand will have some interaction with a GUD brand, either directly or indirectly, in the course of a normal day.



Financial Performance Review

Profit continued

- Restructuring costs of \$19.0 million were incurred. There were seven specific activities that contributed to this item, comprising three projects at Dexion – the exit from the loss-making Elite Built business, the closure of manufacturing activity in Dexion Commercial and the relocation of Dexion Industrial's Australian manufacturing to Malaysia. In addition, Sunbeam, Davey and Oates implemented programs to reduce overhead costs through selective redundancies. Sunbeam also wrote-off product development costs following decisions not to proceed with specific product projects.
- Net finance expense increased to \$6.4 million from \$5.2 million previously due to higher average debt levels in the 2013/14 year. Net debt at year end was \$98.4 million compared with \$64.9 million at the end of 2012/13.

Foreign exchange

GUD continues to source inputs or completed products from suppliers based predominately in Asia, usually priced in the foreign currency. As the inputs or products are typically on-sold to customers in Australia or New Zealand in Australian dollars or New Zealand dollars, movements in foreign currency values have the potential to substantially impact the Group financial result each year.

To address these potential impacts, GUD hedges up to 90 per cent of the forecast foreign currency purchases for up to 12 months. In considering the level of forward purchase for each business, management considers the typical variability and seasonality of sales and the typical lead times required to review price lists and apply price changes in the markets or channels where the businesses participate. In the past year such purchases have been addressed through forward exchange contracts whereby the exchange rate is defined at the time of entering the contract.

After a relatively stable exchange rate in the prior year, 2013/14 saw a much more volatile exchange rate environment although forward hedging provided some relief from the full impact of exchange rate movements.

On average the exchange rate experienced by the Group was seven per cent weaker than the prior year, although in most businesses price rises were achieved to help offset the exchange rate impacts.

Dividend

The total dividend for the 2013/14 year is 36 cents per share, consisting of two equal dividends of 18 cents per share. Both dividends were fully franked.

In the previous financial year dividends of 72 cents per share were declared and this included a total of 20 cents per share in special dividends declared following the sale in February 2012 of GUD's shareholding in Breville Group.

The 2013/14 dividends totalling 36 cents per share compared with 52 cents per share in ordinary dividends in the prior year.

The Dividend Reinvestment Plan remains suspended due to GUD's continuing strong balance sheet position.

Cash generation and capital management

Operating cash flow declined from \$51.5 million in 2012/13 to \$29.6 million in the year being reviewed. The primary influence on this reduction came from cash collections from customers, which declined from \$668.9 million to \$635.6 million.

A combination of slightly lower revenues and increased debtors was the main reason for the reduction in cash collections. The level of trade debtors in the balance sheet is determined by trading terms with customers along with progress payment plans associated with major projects in Dexion.

The Group's value of bad debts recognised in the year declined from the prior year indicating that the growth in debtors is reflecting a combination of Dexion projects, a change in some trading terms arrangements negotiated over the year and the extension of payments as conditions in many industries remained tight during the year.

GUD invested more in fixed assets during the year as evidenced by the growth in spend on property, plant and equipment. The majority of the increase is related to Dexion's investment in new roll forming capacity at its Kuala Lumpur plant. This equipment was installed in May 2014.

Dividends paid declined from \$70.8 million in 2012/13 to \$38.5 million in the current year, reflecting the cessation of the payment of special dividends, which were related to the previous sales of GUD's Breville Group shareholding.

GUD maintains an on-market buy-back facility to support its capital management objectives. Under this facility 401,827 shares were acquired over the 2013/14 year.

Cash Value Added Returns

GUD has employed the Cash Value Added measure of economic return since the 1999/2000 financial year. Cash Value Added Return (CVAR) provides management with an indication as to the value generating performance of each business unit; units that generate a CVAR in excess of the weighted average cost of capital create wealth for shareholders, while those whose returns are less than the cost of capital require action to bring annual returns to at least the cost of capital.

The CVAR performance for the Group for the last three financial years is shown in the table following.

	2011/12	2012/13	2013/14
GUD Group	14.2%	12.2%	11.2%

1 Based on underlying profit after tax.

The Board endorsed weighted average cost of capital for GUD is 10 per cent.

External financing facilities

During the year GUD Holdings took the opportunity presented by competitive market conditions to renew external banking facilities for Australia and New Zealand, ahead of the scheduled maturity dates. This was done through a competitive tender process.

In doing so, the total facility was reduced by \$30 million to \$150 million with the effect of decreasing the cost of facility lines, which previously were typically unused. In addition, the tender process achieved significantly lower funding costs than the prior facility and also ensured that the covenant commitments were appropriately revised.

The new Australian and New Zealand facility remains with a combination of Westpac, National Australia Bank and ANZ Banking Group and will expire in two tranches – one in two years and one in four years (\$50 million in September 2016 and \$100 million in September 2018).

Strong internal control processes are employed to ensure compliance with covenant and ratio commitments. Elsewhere minor additional facilities remain in place to support the working capital requirements of GUD's Asian subsidiaries.

Strategy review

GUD's primary objective is to produce long-term shareholder returns above the cost of capital and to maximise the value of its brand portfolio for the benefit of shareholders. Strategy development and execution is focused at an individual business level and the businesses operate with a significant degree of autonomy within a framework of the overarching strategy.

This strategy is simple and includes the following elements:

1. Investing in innovative product development in every business to deliver to consumer, trade or industrial customers breakthrough new products with distinctive features, lower costs and improved performance.
2. Investing in GUD's brands through the full spectrum of marketing activities and programs to maintain strong positions with each brand's target audience.
3. Improving product and supply chain costs and efficiency to enable each business to remain internationally competitive in its product market.
4. Improving efficiency and product unit costs in operations where GUD retains a manufacturing capability.
5. Utilising the Group's strong financial position to make selected value creating acquisitions that either complement the existing activities or that provide new avenues for growth.

Actions taken on these strategy components during the 2013/14 financial year are detailed below.

Innovation and new product development

Although GUD's businesses have been actively engaged in new product development activities over a long period of time, these activities have not, in recent times, resulted in the development and launch of groundbreaking, innovative new products that have changed the landscape of the product categories in which each business competes.

Much of the new product activity has resulted in incremental and cosmetic change over a period in which a number of fundamental shifts have occurred in many product categories due to competitors introducing breakthrough products.

For example, the introduction of pod and capsule coffee machines has systemically altered the coffee machine category. Sunbeam's core segment – manual espresso machines – has been affected by the growing popularity of the newer products. Equally, the emergence of products such as the multi-purpose Thermomix has affected demand across a number of traditional food preparation and small cooking appliances.

The pressures on brands, especially from retailers actively pursuing private label strategies, from low-cost alternatives and from increasing competition from international brand owners is increasing over time. One of the major avenues available to brand owners to counter this competition is to develop and launch innovative and game-changing new products.

This is the rationale behind the innovation initiative that was launched late in the first half of the 2013/14 financial year. The objective of the initiative is to instil in each operating business a common process for ideating new product concepts, for assessing and filtering those ideas and for bringing the chosen ideas to the market.

With action on this critical capability commencing in December 2013 it is expected that the first outputs will be launched to market either late in the 2014/15 year or early in 2015/16. All GUD's businesses have been challenged to ensure they have enough projects in their respective pipelines to enable each to launch at least two breakthrough new products (or services) in any financial year.

While this has been occurring all businesses have continued to take to market products that have been developed over recent years. In essence the products launched in 2013/14 year are incremental or cosmetic in their nature rather than breakthrough.

For example, Sunbeam introduced nearly 50 new products over the two peak selling periods in the year – Christmas 2013 and Mothers' Day 2014. These spanned the major categories that Sunbeam competes in, including food preparation, cooking, cooling, coffee, ironing and electric blankets. Although none of the products launched could be classified as breakthrough, they are essential for maintaining retailer support, consumer interest and Sunbeam's presence in the market.

Following the commencement of the innovation program, Sunbeam has established a dedicated innovation hub and has identified a number of breakthrough product ideas that are now being researched for potential launch in late 2014/15.

Similarly, Davey introduced a number of products during the year that assisted them to retain a market presence and which addressed specific needs previously identified. Product development engineers at Davey have been active in recent times designing and developing three products that should change the landscape in their respective categories. These products are now in field trials and plans are in place to launch all three in the 2014/15 year.

Perhaps the most exciting opportunity in 2013/14 was uncovered by Oates. It has secured the local distribution rights for a range of cleaning chemicals that are sold in a sachet format. This reduces the cost of transport and logistics substantially as water is added at the point of usage. The products are currently being trialled in a number of locations and have been robustly accepted by customers that service the professional cleaning market.

While the initial focus has been on the professional market, Oates has been active in developing the concept for consumers as there are also functionality benefits to users in this market. These concepts are currently being tested and evaluated.

Lock Focus has been pursuing new product revenue streams in the window and door manufacturing segments for a number of years. To date progress towards generation of substantial revenue streams has been slower than anticipated, but a number of products reached commercialisation towards the end of 2013/14 and are expected to contribute to sales and profits in the coming financial year.

Dexion's focus over the year has been on the significant restructuring projects it has commenced, which are aimed at providing it with a sustainable cost position for both its industrial and commercial arms. Product development has not been a priority while these projects have been the focus. However, the business has embraced the innovation imperative and has identified a major opportunity to gain a substantial advantage over its competitors. Like its GUD peers, Dexion is working on progressing the commercialisation of this opportunity for market launch in 12 to 15 months' time.

Investing in brands

GUD has operated a common brand management process across all businesses for over seven years. This process involves the creation of an annual brand plan, in conjunction with the annual budget planning cycle. Each plan outlines the actions to be undertaken to strengthen the brand, both within the forthcoming budget year and beyond.

Performance against these actions is tracked with a structured, annual brand tracking survey. These surveys monitor the major brand health parameters, namely:

- top of mind, unprompted and prompted awareness;
- the cascade from awareness to brand recommender; and
- target audience perceptions of each brand in relation to a number of critical brand attributes.

Performance issues that are identified through the brand health survey are embedded into the annual brand plan update. The associated remedial actions and timelines are incorporated into the brand plan and the annual budget.

In the context of the brand planning disciplines instilled in GUD's operating businesses, the major branding activities that occurred in 2013/14 were:

- The implementation of the single Dexion branding across both the Industrial and Commercial arms of this business. This will assist to uniformly position Dexion in all its markets as a competitive supplier of storage solutions, supported by superior design and project management capabilities.
- This single Dexion branding direction complemented the announcement to exit the Elite Built brand. This brand serviced the highly commoditised reseller segment in the commercial storage market and was unprofitable for Dexion. The costs associated with this exit were \$2.8 million and an annualised benefit of \$1.0 million is expected to accrue in 2014/15 and future years, following the cessation of selling Elite Built products in July 2014.
- The Ryco brand, the leader in the automotive aftermarket filtration segment, commenced a line extension program with the launch of an agricultural heavy duty filter program. This product range has resulted in Ryco accessing new, specialised distribution channels, separate from its traditional automotive wholesale customer base. In addition, its cabin air filter program underwent a major market relaunch with the aim of increasing awareness of this product amongst mechanics and encouraging them to replace cabin air filters in passenger vehicles when required. Ryco also prepared to launch a motorcycle filtration program to complement its strong presence in automotive filtration.

- Goss, GUD's heritage brand in the automotive fuel systems replacement products market, commenced a line extension initiative by introducing a range of products to complement its traditional fuel pumps program. Changes in the competitive landscape in Goss's markets have opened up opportunities for further growth through product line extensions. In addition, Goss has been ranged in a New Zealand parts supply business, the first time that the brand has been available in that market.
- Sunbeam trialled the expansion of its sales channels by selling product accessories on its website from late 2013. Following this trial, sales of the full Sunbeam product range were opened to consumers via the Sunbeam website in June 2014.
- Sunbeam has also reviewed the role of its factory outlets and determined that its brand presence will be improved by increasing the number of outlets it operates. Currently there are two outlets, one each in Sydney and Melbourne, both of which focus on selling end-of-line and obsolete stock. A second outlet store will open in Melbourne in September 2014, while potential sites for a second Sydney store are being assessed. Although the primary objective for the outlets remains that of stock clearance, Sunbeam has identified the opportunity to use its own retail presence to improve its conversations with consumers and to provide them with more comprehensive product information and training. These initiatives will commence in both the existing and new stores over the coming year.

In addition to the more strategic branding activities detailed above, GUD's businesses make ongoing investments in their respective brands through normal day-to-day marketing activities such as:

- media advertising: GUD's brands communicate through a mix of television, magazines, trade publications, radio, internet and social media channels;
- point-of-sale collateral, including product packaging, shelf talkers, catalogues and swing tags;
- website development and enhancement; and
- new product design, development and introduction (as detailed in the previous section).

Supply chain efficiency

GUD's traditional operating method has been to run each business completely autonomously, with very little sharing of facilities and services. Some purchasing and procurement activities have occurred centrally, where opportunities exist to capitalise on the combined purchasing power.

However, with changing market conditions and increasingly competitive environments the potential to improve the Group's cost position through a more coordinated approach to supply chain activities is now being evaluated.

The initial focus has been to improve the current operating profile through a combination of better purchasing and enhanced internal efficiencies. Warehouse operations have been reviewed and cost savings identified and acted on across a number of businesses. In addition, the various transport arrangements used by the operating business have been assessed and costs reduced through the implementation of alternative modes. For example, freight costs to Western Australian from the east coast have been halved by moving to sea freight from rail.

The review of warehousing operations has resulted in a significant reduction in offsite storage, which was used by both Sunbeam and Davey. It is expected that the requirement for offsite storage will be eliminated in the current financial year. This has the benefit not only of reduced storage and transport costs, but it also improves customer service standards by having stock more readily available.

The profitability analyses performed at Sunbeam, Oates, Dexion and Davey, referred to earlier in this Review, have highlighted considerable potential to reduce the cost-to-serve while maintaining service standards in each of these businesses. These opportunities are now being acted by project teams in each business.

A number of potentially more significant supply chain efficiency projects have been earmarked for future evaluation and potential implementation. These will be pursued in the 2014/15 financial year and include the opportunity for businesses to share distribution facilities in interstate locations. As a consequence, both fixed facility costs and variable operating costs should be reduced from the levels currently experienced by operating independent facilities.

Additionally, the ability in Australia to ship directly to interstate markets from offshore supply sources, rather than having goods transit through a national distribution centre, will be more expansively assessed. This mode of shipment is occurring at present in a relatively small way, but there are considerable cost reduction prospects to increase this mode of operation as well as to approach it on a more coordinated basis.

Improved manufacturing efficiency

Dexion is the GUD business with the largest manufacturing footprint and, following extensive rationalisation activities in recent years, further changes to Dexion's manufacturing profile occurred in 2013/14. These included:

- The announcement to close the warehouse racking factory at Sydney's Kings Park and to relocate its capacity to Dexion's facility in Malaysia. This project is on track for its originally targeted September 2014 completion. The project involves the relocation of some plant and equipment from Sydney to Kuala Lumpur. Total project costs have been estimated at \$11.8 million and an ongoing annual profit benefit of \$6.5 million will be generated as a result.

One of the most significant benefits from this action will be an improvement in Dexion's competitive position in Australian markets for warehouse racking products and associated services. Dexion has been hampered by supplying high cost, locally manufactured product to markets in Australia and New Zealand. The move to close manufacturing in New Zealand prior to GUD's acquisition of Dexion has proven the economics of the concept to relocate supply to more cost competitive manufacturing locations, such as China and Malaysia. Dexion will be in a position to regain local market share as lower cost product becomes available from its offshore factories as a result of this project.

The installation and commissioning of the previously announced new Jumbo roll forming line in Malaysia. The machinery was delivered from the German supplier in late April 2014 and installed and commissioned in the last two months of the financial year. The project has been completed within the original budget estimates and the forward order book for the new machine's capacity is strong. This new production line provides Dexion with a lower cost position along with an ability to supply segments of the market that it previously did not have access to with its older plant and equipment.

- The announced closure of the last remaining production line at Dexion Commercial's plant in Sunshine, Victoria. This marks the complete exit from manufacturing in both Australia and New Zealand, following a similar plant closure in New Zealand in the 2012/13 year.

Manufacturing is scheduled to cease in August 2014 and the Sunshine site should be vacated in January 2015. The cost of this project is \$1.5 million and in excess of \$500,000 of annual profit benefit is expected in future years. The benefit comes from a combination of improved product margins due to lower offshore manufacturing costs and reduced local overhead costs.

Value creating acquisitions

Following the acquisition of the Dexion business in September 2010, GUD has not acquired any substantial businesses that either complement the existing portfolio or provide a diversified avenue for future growth.

Corporate Social Responsibility

Health and safety

GUD employed 1,437 people at 30 June 2014 compared with 1,474 at the end of the prior year. There were no major acquisitions or divestments during the year. Some restructuring has been undertaken at Dexion, which affected employee numbers.

The Company intensified its emphasis on health and safety in the workplace, which is driven by the Chief Executives of the businesses, assisted by the Group Workplace Health and Safety Steering Committee. Representatives from each business meet monthly to review policies, procedures and general matters relating to health and safety.

The current year's focus has been on reinforcing a safety culture to emphasise personal commitment, care and motivation to promote safety rather than mere compliance, and identifying improvements in health and safety training, management and reporting. More recently we have introduced a safety culture assessment tool to identify the strength of the safety culture within the businesses. This will assist leaders in progressing to a better safety culture.

Key appointments at Dexion have resulted in a strategic safety plan in that business, the learnings and benefits of which are being flowed across the other businesses. In addition, all businesses continue to look for innovative ways to refresh the safety message. A system of internal peer Group-wide audits occurs across all major sites in GUD and businesses are encouraged to conduct similar internal audits at smaller sites.

The Board receives monthly reports on workplace health and safety and reviews all incidents resulting in lost time and medically treated injuries. Each operating unit is subject to regular health and safety inspections.

Key statistics for the financial year and a comparison with the previous financial year are included in the table below.

Measure	FY13	FY14
Total Recordable Injury Frequency Rate	16.77	14.27
Lost Time Injury Frequency Rate	3.73	5.58

Management is required to be actively visible in leadership on safety, by engaging in safety discussions at all levels, participating in safety inspections and disseminating safety stories at every opportunity.

Sustainability

GUD manages its businesses to be responsive, ethical, open and accountable, promoting a relationship of respect and trust by and with shareholders, customers, government and community, and employees.

Initiatives such as ethical sourcing, responsible packaging, lower energy consumption, hazardous chemical reduction, waste recycling and storm water harvesting are ongoing programs across the Group.

GUD addresses sustainability on two levels:

1. Striving to design and make more environmentally sustainable products, in terms of efficiency, materials usage and recycling.

GUD businesses have always strived to bring innovation to their product ideas and development. Recent management action has meant that innovation, an important factor in the sustainability of any business, has been mandated as a priority.

Last year, Davey won the Environmental and Sustainability Award in the Knox City Council Melbourne South East Business Awards, for a dedication to their own sustainability. The company's factory and head office facility was recognised for reducing waste to landfill by more than 80 per cent and the reduction of potable water use by an impressive 50 per cent. In previous years, Davey has regularly been recognised for developing innovative products that featured power and water saving technologies.

2. Improving the Group's manufacturing and distribution operations and processes to optimise performance.

In previous years GUD undertook an audit of each of its businesses to assess sustainability in those businesses against broad criteria. Businesses have since sought to identify and pursue opportunities for improvement in the areas of: management and leadership practices; energy efficiency; water efficiency; materials and waste efficiency; climate change and greenhouse gas emissions; sustainable supply chain; community and wellbeing; biodiversity; and innovation and integration.

A recent major focus has been on its inbound and outbound freight and logistics operations, with a review of operations identifying considerable potential savings and operational efficiencies, as described earlier in this Review.

GUD's businesses have a relatively minor impact on climate change through greenhouse gas emissions and energy consumption. GUD's operations in total continue to be well beneath the reportable thresholds established by the National Greenhouse and Energy Reporting Act. Nevertheless, businesses are conscious of their impact on the environment and seek to minimise that impact by implementing cost-effective changes to practices.

GUD has a strong commitment to workplace health and safety, not only in its workplaces, but also in how its products and services are designed, installed and operated in its customers' workplaces.



OPERATING AND FINANCIAL REVIEW

Risk Review

Operational risks

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

An evaluation of all organisational risks at business level is performed twice annually at individual business unit level for presentation to the Board for review. In addition, there are established policies and processes in relation to specific risks, such as occupational health and safety and financial risk management.

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

The risk management framework highlights those risks that are classified as 'extreme' or 'high' and these become the priorities for mitigation actions. These risks are material business risks that could adversely affect achievement of GUD's strategy outlined in the 'Strategy' section above and financial prospects described in the 'Outlook' section.

The risks identified as 'extreme' in the most recently completed risk assessment are detailed below.

- Brand reputation risk due to poor product quality from external suppliers. GUD relies heavily on external manufacturers to supply products that comply with GUD's brand quality standards. Any decline in quality could cause major reputational damage and a consequent degradation in brand equity.
- Consolidation of the customer base. Further consolidation of corporate ownership of the customers served by GUD's businesses could potentially lead to pressures to negotiate less favourable trading terms for GUD and to demands for additional promotional allowances and other margin-reducing activities.

Whilst having reduced in perceived risk from 'extreme' to 'high', GUD still considers supply chain risk, which includes supplier failure and the inability to receive products sourced from offshore suppliers, to be a threat. GUD is heavily dependent on offshore suppliers for a substantial proportion of its product range. Oates, Sunbeam and the Automotive businesses import their full product needs, while Davey, Lock Focus and Dexion all produce product as well as source from external suppliers. There are a number of individual risks that could be included under this subject, including supplier financial failure and country risk through sourcing and shipping predominantly from one location. Recent mitigation activities have reduced the severity of this risk.

Foreign exchange risks

Foreign currency fluctuations have been identified as material business risks that could adversely affect achievement of GUD's strategy outlined in the 'Strategy' section above and financial prospects described in the following section headed 'Outlook'.

The nature of this risk has not fundamentally changed over the 2013/14 year.

The significant foreign exchange exposures affecting GUD's businesses arise from purchases of goods in foreign currencies that are translated back to the functional currency of the relevant subsidiary.

Foreign exchange exposures are managed from a perspective of reducing the effects of volatility on the value of the foreign currency cash flows of the business.

The GUD Group's foreign exchange policy requires significant purchases in foreign currencies to be hedged using either foreign exchange contracts, options or collars.

A Financial Risk Management Committee, consisting of finance staff from the subsidiaries and managers from the holding company, meets monthly in order to monitor foreign currency exposures.

Outlook

As noted at the commencement of this Review, 2013/14 was a year of transition for GUD and its operating businesses. A number of programs were initiated during the year, which should result in substantially improved profitability in 2014/15 and beyond.

In addition, new leadership was put in place at Dexion, Sunbeam and Davey to drive the innovation, change and profit improvement programs that are essential to return these businesses to acceptable levels of profitability and Cash Value Added Return.

Consequently, all businesses are expected to contribute to an improved profit position by the end of 2014/15. All are focused on developing and commercialising at least one significant breakthrough new product or service over the course of the year. Although the financial contribution from these will not be substantial in that year, it is the momentum and innovation culture that will be developed that is essential for profit growth beyond that year.

The business that should contribute the most substantial uplift in profit performance is **Dexion**. Not only will Dexion benefit from the restructuring investments made in 2013/14 in terms of improved profits, but there are other initiatives in place that will complement these. The installation of the Jumbo new roll forming machine in May 2014 places Dexion in a solid position to grow revenues in market segments it could not service without the capability provided by this new equipment.

Additionally, Dexion is acting on a number of cost improvement programs identified in the profitability analysis completed in 2013/14. Dexion's overall cost position will be enhanced by this and by the manufacturing changes described earlier, that occurred in the current year.

The other business that has received the most focus recently is **Sunbeam**. From being a major contributor to GUD's financial performance over recent times, Sunbeam has reported a slide in profits due to factors that have been well documented. The 2014/15 year is the one in which that slide is expected to be reversed as a result of a combination of an active profit improvement program similar to that of Dexion and sales growth through new channels, including outlet stores, online and export. All of these are being energetically pursued by Sunbeam's new CEO and its revitalised management team.

The Automotive aftermarket business, comprising the market leading **Ryco**, **Wesfil** and **Goss** brands, has been the standout performer for the GUD group in recent years. Ryco is expected to generate revenue growth through the new product programs introduced recently, namely heavy duty truck and agricultural filters and its revamped cabin filtration program. On top of this it will remain exceptionally active in its marketing communication programs aimed at converting professional mechanics to using the equivalent-to-genuine Ryco brand when performing their servicing work. Wesfil continues to benefit from its distribution footprint by being close to customers and through its market-leading levels of service.

The **Oates** cleaning products business is expected to generate profit growth through the implementation of a cost-to-serve improvement program, along with benefiting from growing sales of the recently launched sachet cleaning chemicals product range. The small overhead cost restructure implemented in May 2014 will provide a further boost to profit growth.

A new CEO was appointed at **Davey** late in the financial year. It is expected that this appointment will result in cost-to-serve profit improvements being actively driven in the year. Along with this Davey has three major product launches scheduled, with the first of these planned for August 2014. The remaining two will follow during the year. Similar to Oates, Davey will also receive the benefit from an overhead cost restructure effected towards the end of the current financial year.

GUD's smallest business, **Lock Focus**, is planning to report profit growth from the product development investments and activities of recent years, with a number of these starting to contribute. These should more than offset the demand declines being experienced in this business's traditional market segments.

Summary of Operations

	Products	Main markets and customer types
	<p>Industrial and commercial storage products and systems:</p> <ul style="list-style-type: none"> – Industrial warehouse pallet racking and associated systems and equipment – Commercial storage products and systems, including cabinets and Compactus® units – Industrial and commercial project management 	<p>Australia, New Zealand, South East Asia, China, Middle East</p> <p>Operators of industrial warehouses, Dexion Supply Centres, office equipment resellers, architects and interior designers</p>
	<p>Small electrical appliances:</p> <ul style="list-style-type: none"> – Toasters, kettles – Food preparation appliances – Cooking appliances – Irons and ironing boards – Heated blankets – Espresso machines 	<p>Australia and New Zealand</p> <p>Department stores, mass merchants and electrical specialists</p>
	<p>Water pumps and associated equipment:</p> <ul style="list-style-type: none"> – Domestic water pressure systems – Rainwater harvesting products – Swimming pool pumps, filters, UV disinfection and cleaners – Spa pumps and controllers – Water treatment products and systems 	<p>Australia, New Zealand and 40 international markets</p> <p>Water specialists, rural merchants, pool builders, pool shops, spa manufacturers, tank manufacturers and international distributors</p>
  	<p>Aftermarket filtration and other service parts:</p> <ul style="list-style-type: none"> – Automotive oil, air, cabin air and fuel filters – Transmission filters – Agricultural and heavy duty filters – Timing belts and kits – Wiper blades – Light globes – Fuel pumps – Ignition coils 	<p>Australia and New Zealand</p> <p>Automotive parts trade distributors, retailers and independent resellers</p>
	<p>Cleaning products and chemicals:</p> <ul style="list-style-type: none"> – Mops and buckets – Brooms and brushes – Cloths and wipes – Commercial cleaning equipment – Specialty cleaning chemicals 	<p>Australia</p> <p>Supermarkets, mass merchants and hardware outlet, industrial and commercial distributors</p>
	<p>Locking systems and other security products for:</p> <ul style="list-style-type: none"> – Garage doors and garden sheds – Metal furniture products – Caravans and utilities – Doors and windows 	<p>Australia, New Zealand and export markets</p> <p>Original equipment manufacturers, locksmiths and security products distributors</p>

GUD maintains a passionate focus on new product development and introductions. It reinforced this focus recently by introducing a group-wide innovation initiative, which spans all its brands and operating companies. A fundamental component of the approach is the uncovering and application of consumer and user insights, providing pointers for new product development directions.



Directors' Report

The Directors of GUD Holdings Limited (the Company) present their report on the consolidated entity, being the Company and its subsidiaries, for the year ended 30 June 2014.

Directors, Company Secretary, Directors' meetings and Directors' shareholdings

The names of the Directors who held office during the financial year and details of current Directors' qualifications, experience and special responsibilities are set out on page 38. The qualifications and experience of the Company Secretary are set out on page 39.

Details of Directors' meetings and Board Committees' meetings, including attendances, are on page 18 and Directors' interests in the Company on page 17 in the accompanying Corporate Governance Statement.

Corporate Governance Statement

The Corporate Governance Statement of the Directors is set out on pages 16–23, and forms part of this Directors' Report.

Principal activities

The principal activities of the consolidated entity during the course of the financial year were the manufacture and importation, distribution and sale of cleaning products, household appliances, warehouse racking, industrial storage solutions, office storage products, automotive products, locking devices, pumps, pool and spa systems, and water pressure systems, with operations in Australia, New Zealand, France, Spain, China, Malaysia and Hong Kong.

Other than as referred herein and in the Operating and Financial Review set out on pages 1–12, 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 is set out on pages 1–12, and forms part of this Directors' Report.

Significant changes

In the opinion of the Directors, other than referred herein, there were no significant changes in the state of affairs of the consolidated entity during the year.

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.

Dividends

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

- A final ordinary dividend of 26 cents per share in respect of the year ended 30 June 2013 was declared on 24 July 2013 and paid on 3 September 2013, amounting to \$18,548,742. This dividend was fully franked.
- A special dividend of 10 cents per share in relation to the year ended 30 June 2013 was declared on 24 July 2013 and paid on 3 September 2013, amounting to \$7,134,132. This dividend was fully franked.
- An interim ordinary dividend of 18 cents per share in relation to the year ended 30 June 2014 was declared on 22 January 2014 and paid on 6 March 2014, amounting to \$12,823,437. This dividend was fully franked.
- A final ordinary dividend of 18 cents per share in respect of the year ended 30 June 2014 was determined on 25 July 2014, and is payable on 3 September 2014 to shareholders registered on 20 August 2014. This dividend will be fully franked. Shares will trade ex-dividend on 14 August 2014. The GUD Dividend Reinvestment Plan has been suspended for this dividend.

Share capital

At 30 June 2014, there were 70,939,492 ordinary shares on issue. During the year the Company bought back 401,827 shares on-market.

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 83 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 22 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 and Compliance Committee to ensure they do not impact the integrity and objectivity of the auditor.

Options and rights

During the year a total of 414,269 Performance Rights were granted to Executives under the GUD Holdings Long Term Incentive Equity Plan. A total of 78,673 Performance Rights were granted to the Managing Director in November 2013 after receiving approval of shareholders at the 2013 Annual General Meeting. In addition, as a result of Executives departing the Group during the year, a total of 146,019 Performance Rights were determined by the Board to lapse. Details of the Performance Rights granted to key management personnel are included on page 32 in the Remuneration Report, which forms part of this Directors' Report. Otherwise, no options or rights were granted during the year and no options or rights have been granted since the end of the financial year. No options were exercised during the financial year. There are no unissued shares or interests under option as at the date of this Report.

Derivatives and other financial instruments

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

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

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

Proceedings on behalf of the Company

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

Indemnity and insurance

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

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

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

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

Remuneration policy for Directors and Executives

The policy for determining the nature and amount of remuneration for Directors and Executives is described in the Remuneration Report on pages 24–37, which forms part of this Directors' Report.

Director and Executive benefits

Details of the benefits paid or provided to Directors and specified Executives are included in the Remuneration Report on pages 24–37, which forms part of this Directors' Report, and in summary in note 21 to the financial statements.

Rounding off

The Company is a company of the kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and, in accordance with that Class Order, 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

No matters or circumstances have arisen since the end of the year that significantly affected or may affect the operations of the consolidated entity which have not been outlined in this Report.

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



R M Herron
Chairman of Directors



J P Ling
Managing Director

Dated at Melbourne, 25 July 2014

Corporate Governance

The Board is committed to conducting the Company's business ethically and in accordance with high standards of corporate governance.

This statement sets out the key elements of our corporate governance framework that has operated throughout the year, unless otherwise indicated.

ASX Corporate Governance Principles

The Company considers that the corporate governance framework and practices comply with the ASX Corporate Governance Council's Principles and Recommendations (2nd edition, 2010). The Company has chosen not to early adopt the 3rd edition released during 2014, which applies for financial years commencing on or after 1 July 2014.

The table at the end of this statement cross references the disclosures and statements in this Corporate Governance Statement to the ASX Principles.

The Company's corporate governance framework is kept under review and changes are made in response to changes in the Company's business or applicable legislation and standards.

1. The Board of Directors

The Board operates in accordance with the general principles set out in its General Policy on Corporate Governance available to view in the corporate governance section of the Company's website at www.gud.com.au. The policy establishes the functions reserved to the Board and those delegated to Senior Executives, as described below.

1.1 Role of the Board

The role of the Board of Directors is to protect and optimise the performance of the Group, and accordingly the Board takes accountability for approving strategic direction, establishing policy, overseeing the financial position and monitoring the business and affairs of the Group on behalf of shareholders.

The Board has delegated responsibility for the operation and administration of the Company to the Managing Director who, along with the senior management team, is accountable to the Board.

The various business operations within the Group are delegated to divisional Chief Executives who, together with their management teams, manage the businesses within an agreed framework of strategic plans, budgets, targets, standards and policies.

To assist the Board to maintain its understanding of the businesses and to assess the management team, Directors regularly receive detailed briefings from each member of the Executive general management team and visit operating locations.

Directors receive a comprehensive monthly performance report from the Managing Director, whether or not a Board meeting is scheduled, and have unrestricted access to Company records and information.

The Board strives to create shareholder value and ensure that shareholder funds are safeguarded.

To fulfil this role, the Board is concerned with:

- approving the strategic direction for the Company;
- overseeing the long-term performance against targets and objectives;
- monitoring ethical standards, environmental and safety performance and legal compliance;
- monitoring the Group's financial performance;
- approval of budgets, including significant capital expenditure;
- establishing and maintaining the quality of the Executive team and, in particular, monitoring and assessing the performance of the Managing Director;
- assessing business risk profile, risk management and business continuity plans, the adequacy of policies, internal controls and organisation structures; and
- reporting to shareholders on the direction, governance and performance of the Company.

The Board reviews its composition and processes annually (as detailed below).

1.2 Composition of the Board

The composition of the Board is determined using the following principles:

- The Board may, in accordance with the Constitution, comprise up to 10 Directors.
- The Chairman of the Board should be an independent Non-Executive Director.

The Board considers that a diverse range of skills, experience and knowledge is required to effectively govern the Company's business. With assistance from the Nominations Committee, the Board works to ensure that the Board achieves optimal composition for the Company's needs. The Board is satisfied that the Board currently comprises Directors with a broad range of experience having a proper understanding of the current and emerging issues facing the Company, and who can effectively review and challenge Management's decisions.

The Board is currently comprised of five Non-Executive Directors (including the Chairman) and one Executive Director (the Managing Director and Chief Executive). Details of the skills, experience and expertise of the Directors, and of the Company Secretary, as well as the period for which the Director has held office, are set out on pages 38–39.

1.3 Independence

The Chairman and all Non-Executive Directors are independent in accordance with the definition recommended in the ASX Corporate Governance Council Guidelines, having no business or other relationship that could compromise, or could reasonably be perceived to compromise, their independence.

The Board has adopted guidelines to determine materiality thresholds for the purposes of that definition. Broadly speaking, these guidelines seek to determine whether the Director is generally free of any interest and any business or other relationship that could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company. Such relationships could include where the Director:

- is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- within the past three years has been employed in an executive capacity by the Company or a group entity, or has been a Director after ceasing to hold any such employment;
- within the past three years was a principal of a material professional adviser or a material consultant to the Company or another group entity or an employee materially associated with the service provided;
- is a material supplier or customer of the Company or a group entity, or an officer of, or otherwise associated directly or indirectly with, a material supplier or customer; or
- has a material contractual relationship with the Company or a group entity other than as a Director of the Company.

The Board believes the separation of the roles of Chairman and Chief Executive and the predominance of independent Non-Executive Directors are appropriate.

Directors have agreed to advise the Board, on an ongoing basis, of any interest that could potentially conflict with those of the Company.

1.4 Access to independent advice

Subject to prior consultation with the Chairman, Directors may seek independent advice from a suitably qualified expert at the Company's expense, as set out in the General Policy on Corporate Governance, available in the Corporate Governance section of the Company's website.

1.5 Directors' interests and benefits

Directors are not required to hold any share qualification. The current shareholdings are shown in the table below.

Directors	Shares held beneficially		Total	Total
	Own name	Private company/trust	30/6/2014	30/6/2013
R M Herron	10,768	12,442	23,210	23,210
P A F Hay	3,863		3,863	3,863
M G Smith		5,560	5,560	5,560
G A Billings			Nil	Nil
D D Robinson			Nil	Nil
J P Ling	85,470		85,470	Nil
I A Campbell			Nil	40,000

1.6 Term of office and re-election of Directors

In the appointment of Directors, the Board has sought advice from independent sources and undertaken independent professional searches for suitable candidates possessing the appropriate range of skills, expertise and competencies. In making recommendations to the Board regarding the appointment of Directors, the Nominations Committee periodically assesses the appropriate mix of skills, experience and expertise required by the Board and assesses the extent to which the required skills and experience are represented on the Board. The Nominations Committee also takes qualitative factors into account, such as diversity and cultural fit. To facilitate this process, the Nominations Committee maintains a skills matrix and profile of existing Board members in order to guide the development of the skills and experience criteria for any Board position to be filled. The Nominations Committee also takes into account succession plans for Directors more broadly as well as information resulting from the performance reviews of the Board, its committees and individual Directors as described in section 3.1 below. Where a potential 'gap' is identified in the backgrounds, experiences or skill sets that are considered desirable or necessary for the Board's continued effectiveness, this information is used to inform the selection of new Director candidates.

New Directors receive a comprehensive information pack and special briefings from Management and visit key operating sites to assist them to quickly understand GUD's businesses and issues.

All Directors (except the Managing Director) are elected by shareholders at the Annual General Meeting following their appointment and thereafter are subject to re-election at least once every three years.

The Board has adopted a retirement age policy for Directors, being the conclusion of the Annual General Meeting following a Director's 68th birthday. This may be varied by the Board on an annual basis. In recent years, Non-Executive Directors have been appointed on the basis that they would not seek to serve more than 10 years. This may be varied by the Board on an annual basis.

Executive Directors cease to be Directors when they cease to be Executives.

Directors are, at their own expense, expected to maintain a level of knowledge appropriate to their appointment.

2. Board Committees

The Board generally operates as a whole across the range of its responsibilities but, to increase its effectiveness, uses committees where closer attention to particular matters is required. The role of the Board Committees is to make recommendations to the Board on matters set out in each Committee's Charter. The Charters for the Audit & Compliance Committee, the Remuneration Committee and the Nominations Committee are available on the corporate governance section of the Company's website at www.gud.com.au.

Board Committees comprise Non-Executive Directors. Details regarding the role of each Committee and their composition as at 30 June 2014 are set out as follows:

2.1 Audit & Compliance Committee

G A Billings (Chairman), R M Herron, P A F Hay, M G Smith and D D Robinson.

The Committee comprises only Non-Executive Directors, all of whom are currently considered by the Board to be independent. The Chairman of the Committee is an independent Non-Executive Director who is not the Chairman of the Board.

2. Board Committees continued

2.1 Audit & Compliance Committee continued

In accordance with its Charter, the Committee primarily assists the Board in fulfilling its responsibilities relating to accounting and compliance obligations of the Company and advises the Board on matters of financial significance or compliance with legal and contractual obligations. The Committee reviews the integrity of the Company's financial reporting and oversees the independence of the external auditors. It also:

- reviews the scope, performance and fees of the external auditor;
- oversees and appraises the quality of audit and reviews conducted by the external auditors;
- maintains communications between the Board, external auditors and Management;
- reviews financial information prepared by Management for external parties;
- reviews accounting policies and practices; and
- monitors compliance with applicable policies and controls.

By invitation, the Managing Director, Chief Financial Officer, Company Secretary, Group Financial Controller and representatives of the Company's external auditor are present for most of the proceedings.

The external auditor is appointed by the Board, is approved by shareholders and continues to hold office in accordance with the requirements of the Corporations Act. The Committee is responsible for reviewing the terms of appointment of the external auditor and for making recommendations to the Board regarding the appointment of the external auditor.

The Company has a formal policy on auditor independence, which is kept under review, including processes adopted by the external auditor and the Company to ensure independence is maintained, such as the rotation of the external audit personnel and restrictions on the external auditor providing services that may compromise independence.

Non-audit services that may be required by the Company have been categorised into those that the external auditor:

- is permitted to provide;
- is permitted to provide subject to Committee approval; or
- is not permitted to provide.

Non-audit services that the external auditor is not permitted to provide include accounting assistance, mergers and acquisition origination or completion, actuarial services, valuation and fairness opinions, internal audit services, advice on deal structuring, executive recruitment services, corporate strategy advice, legal services, general risk management reviews or services or acting as a broker, promoter or underwriter. The policy recognises that there may be circumstances where the external auditor may

perform non-audit services without prejudicing the auditor's independence. Such circumstance may include small or minor tasks of an assurance or compliance nature or cases where the auditor is uniquely positioned to provide the services. A regime of approval limits is set out in the policy for the approval of non-audit services provided by the external auditor. The Committee also notes the external auditor's policy requiring the partner managing the Company's audit to be rotated within five years from the date of appointment. The external auditor attends the Annual General Meeting and is available to answer shareholders' questions about the conduct of the audit and the preparation and content of the auditor's report.

2.2 Remuneration Committee

P A F Hay (Chairman), R M Herron, M G Smith, G A Billings and D D Robinson.

The Committee comprises only Non-Executive Directors, all of whom are currently considered by the Board to be independent. The Chairman of the Committee is an independent Non-Executive Director.

In accordance with its Charter, the Committee advises the Board on remuneration policies, practices and recommendations regarding the level and form of Executive remuneration, in particular that of the Managing Director and senior management reporting to the Managing Director.

By invitation, the Managing Director and Company Secretary are present for most of the proceedings.

The Remuneration Report on pages 24–37 includes further details on the Company's remuneration policy and its relationship to performance.

2.3 Nominations Committee

R M Herron (Chairman), P A F Hay, M G Smith, G A Billings and D D Robinson.

The Committee comprises only Non-Executive Directors, all of whom are currently considered by the Board to be independent. The Chairman of the Committee is an independent Non-Executive Director.

The Committee has adopted a Charter whereby its primary objective is to assist the Board in fulfilling the Board's responsibilities relating to the future tenure, size, diversity and composition of the Board, including succession planning.

The Managing Director has the right to receive notices of all Committee meetings and to attend and speak at such meetings.

2.4 Directors' attendances at meetings

The Board held nine meetings during the year.

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

Directors	Board		Audit & Compliance Committee		Remuneration Committee		Nominations Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
R M Herron	9	9	4	4	4	4	1	1
P A F Hay	9	7	4	3	4	2	1	0
M G Smith	9	9	4	4	4	4	1	1
G A Billings	9	9	4	4	4	4	1	1
D D Robinson	9	9	4	4	4	4	1	1
J P Ling	8	8						
I A Campbell	1	1						

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

3. Performance evaluation and remuneration

3.1 Performance evaluation

The Nominations Committee includes in its Charter the role of evaluating the Board's performance. This is conducted through an annual internal assessment. Directors provide written feedback in relation to the performance of the Board, its Committees, and individual Directors against a set of agreed criteria. This feedback is reported by the Chairman of the Nominations Committee to the Board following the assessment.

For the 2014 financial year, a performance evaluation was led by the Chairman. The purpose of the review was to assess strengths and weakness of the Board, its Committees and individual Directors, and identify areas that might be improved. The findings of this performance review have been considered by the Board and have been, and continue to be, taken into account in nominating existing Directors for re-election, identifying and nominating new candidates for appointment as Director, and in planning and conducting Board and Committee matters.

Executives and managers are also subject to an annual performance review in which performance is measured against agreed business objectives.

For the 2014 financial year, the performance of the Managing Director was assessed by the Board against achievement by the businesses and the Managing Director of agreed objectives. The performance of the Company's Senior Executives during the 2014 financial year was reviewed by the Managing Director and by the Remuneration Committee in June 2014.

More detail on the criteria against which the performance of the Managing Director and other Executives is set out in the Remuneration Report on pages 24–37 of this Report.

3.2 Director and Executive remuneration

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced personnel. Performance, duties and responsibilities, market comparison and independent advice are all considered as part of the remuneration process.

In accordance with principles of good corporate governance, Non-Executive Director remuneration is currently structured so that Non-Executive Directors do not receive any remuneration that is linked to the Company's performance, nor do they receive any retirement or termination benefits other than superannuation.

The structure and details of the remuneration paid to the Directors and Senior Executives during the period are set out in the Remuneration Report on pages 24–37 of this Report and note 21 to the financial statements.

4. Risk management and internal controls

4.1 Risk management framework

The Board, through the Audit & Compliance Committee, is responsible for ensuring there are adequate policies in relation to risk management and internal compliance and control systems.

It is part of the Board's oversight role to regularly review the effectiveness of the Company's implementation of that system.

In brief, the Company's risk management framework is designed to ensure strategic, operational, legal, reputational, product quality, brand, technological and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Company's business objectives, as well as to identify any material changes to the Company's risk profile.

Where considered appropriate, and where it is possible and practicable to transfer a particular risk, and in order to protect shareholders' funds, the Company carries insurance that the Board considers is sufficient for the size and nature of the Company's businesses.

The Company's Risk Management Policy statement is available in the Corporate Governance section of the Company's website at www.gud.com.au.

4.2 Internal controls framework

During the year, the Board reviewed the Company's risk management policies and procedures.

A formal review of risks is carried out semi-annually by each division and the corporate head office. The Board has adopted a policy of reviewing risks through a half-yearly reporting process.

Decisions on financial risk management are made by the Group Financial Risk Management Committee, chaired by the Chief Financial Officer, which operates within established policies, procedures and limits that are regularly reviewed by the Board and external advisers. These policies prohibit speculative transactions, restrict hedging to preset limits and require senior management approval of hedging instruments.

Each of the businesses has established IT disaster recovery programs. In addition, all businesses have business continuity plans in place. These plans are of an operational nature and address the major risks in each business. Plans are required to be reviewed by businesses annually with copies submitted to the corporate head office.

4.3 Managing Director and Chief Financial Officer certifications

The Managing Director and Chief Financial Officer have made the following certifications to the Board:

- that the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control, which implements policies adopted by the Board;
- that the Company's financial records have been properly maintained in accordance with the Corporations Act;
- that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects in relation to financial reporting risk; and
- that the Company's financial reports present a true and fair view in all material respects of the Company's financial condition and operating results and that they are in accordance with relevant accounting standards and the *Corporations Act 2001*.

5. GUD Governance policies

5.1 Integrity, ethical standards and compliance

The Company is committed to practising high standards of business conduct and corporate governance. The Board considers that the Company's reputation for honesty, integrity, excellence and fairness is one of the Company's most important assets.

The Board believes it is important to provide a clear set of values that emphasise a culture of strong corporate governance, solid business practices and good ethical conduct. To this end, the Company has a general Company Code of Conduct, which applies to all employees, including policies and standards on issues of business ethics and integrity, and reporting and investigating unethical practices. The Board has also adopted a number of other 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 dealing 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.

The Board also receives regular reports on legal and environmental compliance to ensure the Company complies with its legal and environmental obligations.

5.2 Dealing in shares

Under the Company's Dealing in Shares Policy, there are prohibited periods during which key management personnel may not deal in any GUD securities. Those prohibited periods are from 15 June and 15 December in each year until two days after the release to the ASX of the Company's financial statements for the year-end or half-year-end, as the case may be. In practice, this prohibition is extended to senior staff in the businesses. There may be exceptional circumstances when dealing is permitted during a prohibited period. No such cases have occurred in the 2014 financial year.

Subject to the above and subject to the Corporations Act, a Director, Executive or employee or their associates may:

- deal in GUD securities (provided a person is not in possession of inside information relating to that security):
 1. during the period commencing two (2) days after release and ending thirty (30) days after release of information of a financial nature to the ASX. Such releases include annual, half-yearly and, if required, quarterly ASX releases and any ASX release of an address made to shareholders at an AGM;
 2. with the consent of the Chairman, if that person is a Director or an Executive or their associate; or
 3. with the consent of the Managing Director or Company Secretary, if that person is an employee or an associate of an employee;
- acquire GUD securities by conversion of existing securities;
- acquire securities under a bonus issue or dividend reinvestment, rights issue or top-up plan that is available to all security holders of the same class; and
- acquire or agree to acquire securities under a company's sponsored share or option plan;

provided that any such trade would not constitute insider trading or otherwise be prohibited under the Corporations Act.

Full details of the Dealing in Shares Policy may be found on the Company's website at www.gud.com.au.

In accordance with section 206J of the Corporations Act, key management personnel are prohibited from hedging unvested equity entitlements, or equity entitlements that remain subject to a holding lock, under the Company's equity-based remuneration scheme.

Each Non-Executive Director has entered into a contract with the Company to advise the Company when any interest in any securities in the Company held by that Director changes and to advise the Company of the Director's interest in securities at the date of retirement.

5.3 Health and safety

GUD employed 1,437 people at 30 June 2014 compared with 1,474 at the end of the prior year. There were no major acquisitions or divestments during the year. Some restructuring has been undertaken at Dexion, which had an impact on employee numbers.

The Company intensified its emphasis on health and safety in the workplace, which is now driven by the Chief Executives of the businesses, and assisted by the Group Occupational Health and Safety Steering Committee. Representatives from each business meet monthly to review policies and procedures and general matters relating to health and safety.

This year's focus has been on reinforcing a safety culture to emphasise personal commitment, care and motivation to safety rather than mere compliance, and identifying improvements in health and safety training, management and reporting.

Key appointments at Dexion have resulted in a strategic safety plan in that group, the learnings and benefits of which are being flowed across the other businesses. In addition, businesses continue to look for innovative ways to refresh the safety message. A system of internal peer group audits occurs across all major sites in the Group, with businesses encouraged to conduct similar audits at smaller interstate sites.

The Board receives monthly reports on Occupational Health and Safety (OH&S) and reviews all incidents resulting in lost time injuries and medically treated injuries. Each operating unit is subject to regular health and safety inspections.

Key statistics for the financial year, and a comparison with the previous financial year, are included in the table below.

Measure	FY14	FY13
Total Recordable Injury Frequency Rate	14.27	16.77
Lost Time Injury Frequency Rate	5.58	3.73
Days lost per 100 employees per year	27.84	25.44

5. GUD Governance policies continued

5.4 Diversity

GUD is committed to being an inclusive workplace that values and promotes diversity. Diversity encompasses gender, race, ethnicity and cultural background, age, physical abilities and religious beliefs.

Encouraging and fostering diversity enables GUD to attract people with the best skills and attributes, and to develop a workforce that is best placed to deliver value to our shareholders, customers and the communities we serve. We see additional benefits from diversity being a broader pool of high-quality candidates and employees, and improved employee retention.

GUD's diversity policy outlines GUD's commitment to improving diversity in the workplace and supplements our employment policies and standards, including as set out in the GUD Code of Conduct. A copy of the diversity policy is available in the Corporate Governance section of the Company's website at www.gud.com.au.

GUD's approach to improving diversity within the Company will assist achieving the following objectives:

1. a diverse and skilled workforce, leading to improved in-service delivery and achievement of corporate goals;

2. a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff;
3. improved employment and career development practices and opportunities for all staff;
4. a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives;
5. rewarding and remunerating fairly; and
6. awareness in all staff of their rights and responsibilities with regards to fairness, equity and respect for all.

In accordance with the ASX Corporate Governance Principles and Recommendations, the Board through its Nominations Committee has established measurable objectives for achieving diversity that are in line with GUD's circumstances and the industries in which it participates. These measurable objectives, and progress in achieving them, will be reviewed by the Board annually.

Details of measurable objectives that were set for the 2014 financial year, and the Company's progress in achieving them, are set out below.

Objective	Initiatives to achieve the objective	Status of the objective
<p>1. As a general principle, the recruitment/selection process for Board candidates will:</p> <ol style="list-style-type: none"> a. have as a primary focus getting the right person for the job; b. ensure that the candidate pool has no undue restrictions for representation; and c. ensure that, at both the initial candidate selection and the interview phase, a diverse pool of candidates is presented. <p>The measurable objective in this process will be for the recruitment consultant/executive search firm engaged on a Board candidate search to provide the Chairman of the Nominations Committee:</p> <ol style="list-style-type: none"> i. a confidential listing of all candidates available for possible consideration applying the Board-mandated skills/experience criteria for the particular Board position to be filled – together with a statement of percentage female representation in the listing; and ii. a confidential listing of all candidates recommended by the search firm for consideration by the Board for personal interview – together with a statement of percentage female representation. This listing is available to be shared with Board members. 	Objectives incorporated into recruitment/selection processes	Ongoing consideration of skills matrix to identify needs; no new Board members appointed in 2014 financial year
2. To facilitate this process, the Board will maintain a skills matrix and profile of existing Board members in order to guide the development of the skills/experience criteria for any Board position to be filled.	Board skills matrix maintained	Ongoing
3. The Board will, having regard to the profile and timing of the appointment and retirement of Directors, endeavour to have a number of female members on the Board that is in proportion to the female members represented in the workforce of GUD Holdings Limited, but in any event not less than one female member.	Objectives incorporated into recruitment/selection processes	This remains a longer-term objective

The following table shows the representation of men and women at various levels within the GUD workforce as at 30 April 2014:

Level	Proportion of men %	Proportion of women %
Non-Executive Directors	100	0
Senior Management	81	19
Other levels	69	31
Total	70	30

5. GUD Governance policies continued

5.5 Political contributions

The Company maintains a position of impartiality with respect to party politics and does not contribute funds to any political party or candidate for public office.

5.6 Continuous disclosure and communication with shareholders

The Company endeavours to ensure that shareholders are regularly and fully informed of all major developments affecting the Company.

To achieve this, the Company has implemented the following procedures:

- The Annual Report is sent to all shareholders by mail or made available for download, unless requested otherwise.
- Information relating to the Company, including the Annual Report, half-year announcement to the ASX and other major ASX announcements, is publicly available on the Company's website at www.gud.com.au, under Investor Relations.
- Individual shareholders are given an opportunity to raise questions at the Annual General Meeting and the Company encourages full participation of shareholders to ensure

a high level of accountability and discussion of the Company's strategy and performance. The Company also invites the external auditor to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit, and the preparation and content of the auditor's report.

- There is regular dialogue with institutional investors and any presentation material is contemporaneously made available to all shareholders by announcement to the ASX.
- The Company and each of its businesses have websites – see details on the inside back cover of the Annual Report.
- Documents that are released publicly, including policies and Charters described in this statement, are made available on the Company's website at www.gud.com.au.

The Company is committed to providing relevant and timely information to its shareholders and to the broader market, in accordance with its obligations under the ASX continuous disclosure regime. The Board has a Continuous Disclosure Program, details of which are accessible in the Corporate Governance section on the Company's website, which establishes procedures to ensure that Directors and Management are aware of, and fulfil, their obligations in relation to the timely disclosure of price-sensitive information.

ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations (2nd edition)

	ASX Principle	Reference ¹	Compliance
Principle 1	Lay solid foundations for management and oversight		
1.1	Companies should establish the functions reserved to the Board and those delegated to Senior Executives and disclose those functions.	1.1	Comply
1.2	Companies should disclose the process for evaluating the performance of Senior Executives.	3.1, 3.2 and Remuneration Report	Comply
1.3	Companies should provide the information indicated in the guide to reporting on Principle 1.	1.1, 3.1	Comply
Principle 2	Structure the Board to add value		
2.1	A majority of the Board should be independent Directors.	1.3	Comply
2.2	The Chair should be an independent Director.	1.2, 1.3	Comply
2.3	The roles of Chair and Chief Executive Officer should not be exercised by the same individual.	1.3	Comply
2.4	The Board should establish a nomination committee.	2, 2.3	Comply
2.5	Companies should disclose the process for evaluating the performance of the Board, its committees and individual Directors.	3.1	Comply
2.6	Companies should provide the information indicated in the guide to reporting on Principle 2.	1.2, 1.3, 1.5, 2.3, 2.4, 3.1 and website	Comply
Principle 3	Promote ethical and responsible decision-making		
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to:	5.1 and website	Comply
	3.1.1 the practices necessary to maintain confidence in the Company's integrity;	5.1 and website	Comply
	3.1.2 the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and	5.1 and website	Comply
	3.1.3 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	5.1 and website	Comply
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity, and for the Board to assess annually both the objectives and progress in achieving them.	5.4	Comply
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.	5.4	Comply

	ASX Principle	Reference¹	Compliance
Principle 3 Promote ethical and responsible decision-making continued			
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in Senior Executive positions and women on the Board.	5.4	Comply
3.5	Companies should provide the information indicated in the guide to reporting on Principle 3.	5.1, 5.4 and website	Comply
Principle 4 Safeguard integrity in financial reporting			
4.1	The Board should establish an audit committee.	2.1	Comply
4.2	The audit committee should be structured so that it: <ul style="list-style-type: none"> – consists only of Non-Executive Directors; – consists of a majority of independent Directors; – is chaired by an independent Chair, who is not Chair of the Board; and – has at least three members. 	2.1	Comply
4.3	The audit committee should have a formal charter.	2.1	Comply
4.4	Companies should provide the information indicated in the guide to reporting on Principle 4.	2.4 and website	Comply
Principle 5 Make timely and balanced disclosure			
5.1	Companies should establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	5.6 and website	Comply
5.2	Companies should provide the information indicated in the guide to reporting on Principle 5.	5.6 and website	Comply
Principle 6 Respect the rights of shareholders			
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	5.6	Comply
6.2	Companies should provide the information indicated in the guide to reporting on Principle 6.	5.6	Comply
Principle 7 Recognise and manage risk			
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	4.1, 4.2	Comply
7.2	The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	4.1, 4.2, 4.3	Comply
7.3	The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	4.3	Comply
7.4	Companies should provide the information indicated in the guide to reporting on Principle 7.	4.1, 4.2, 4.3 and website	Comply
Principle 8 Remunerate fairly and responsibly			
8.1	The Board should establish a remuneration committee.	2.2	Comply
8.2	The remuneration committee should be structured so that it: <ul style="list-style-type: none"> – consists of a majority of independent Directors; – is chaired by an independent Chair; – has at least three members. 	2.2	Comply
8.3	Companies should clearly distinguish the structure of Non-Executive Directors' remuneration from that of Executive Directors and Senior Executives.	2.2 and Remuneration Report	Comply
8.4	Companies should provide the information indicated in the guide to reporting on Principle 8.	2.2, 2.4, 5.2, Remuneration Report and website	Comply

¹ All references are to sections of this Corporate Governance Statement unless otherwise stated. References to the website are references to the corporate governance section of the Company's website at www.gud.com.au.

Remuneration Report (Audited)

This report forms part of the Directors' Report and has been audited in accordance with the *Corporations Act 2001*.

The report is outlined in the following sections:

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

1. Who this report covers

This report outlines the remuneration arrangements for the Group's key management personnel (KMP).

The following individuals had authority and responsibility for planning, directing and controlling the activities of the Group during the financial year ended 30 June 2014:

Non-Executive Directors

Name	Role
R M Herron	Non-Executive Director and Chairman
P A F Hay	Non-Executive Director, Chairman of Remuneration Committee
M G Smith	Non-Executive Director
G A Billings	Non-Executive Director, Chairman of Audit & Compliance Committee
D D Robinson	Non-Executive Director

Executive Directors

Name	Role
J P Ling	Managing Director, appointed 1 August 2013
I A Campbell	Former Managing Director, retired 31 July 2013

Senior executives

Name	Role
M Fraser	Chief Financial Officer
K Hope	Chief Executive Officer – Sunbeam Corporation Ltd, appointed 6 December 2013
D Jackson	Former Chief Executive Officer – Sunbeam Corporation Ltd, resigned 31 March 2014
D Birch	Chief Executive Officer – E D Oates Pty Ltd
R Pattison	Chief Executive Officer – GUD Automotive Pty Ltd
P O'Keefe ¹	Chief Executive Officer – Dexion Limited, appointed 2 September 2013
P Farmakis	Former Chief Executive Officer – Dexion Limited, resigned 30 August 2013
C Andersen	Former Chief Executive Officer – Davey Water Products Pty Ltd, resigned 31 August 2014
David Worley	Chief Executive Officer – Davey Water Products Pty Ltd, appointed 2 June 2014
T Cooper	Managing Director – Wesfil Australia Pty Ltd

¹ Mr O'Keefe commenced his role as Chief Executive Officer – Dexion Limited on a contract basis on 2 September 2013 and was made permanent on 1 November 2013. This Remuneration Report includes all of his remuneration since joining as a contractor on 2 September 2013.

2. Remuneration governance

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

The Remuneration Committee consists of the five Non-Executive Directors and is responsible for determining and agreeing with the Board a framework and broad policy for remuneration. It advises the Board on remuneration policies and practices generally, and makes specific recommendations on remuneration packages, incentives and other terms of employment for KMP.

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

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

3. Managing Director and Senior Executive remuneration strategy and structure

Remuneration strategy

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

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

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

The Remuneration Committee is committed to continuing to review and refine the remuneration strategy to ensure it meets the changing needs of the Group and remains aligned to shareholder interests.

Remuneration structure

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

- fixed remuneration;
- short-term incentives (STI); and
- long-term incentives (LTI).

These, together with certain non-cash benefits, comprise the total remuneration paid to KMP.

Our aim is to increase gradually the 'at risk' components of Senior Executives' remuneration relative to fixed remuneration, with an ultimate goal of around 40 per cent of target 'at risk' (i.e. STI and LTI).

Fixed remuneration

The remuneration packages for the Managing Director and Senior Executives contain a fixed amount that is not performance linked. They generally consist of salary and vehicle entitlement, as well as employer contributions to superannuation funds. Fixed remuneration for Senior Executives is determined by reference to the scope of their positions and the knowledge, experience and skills required to perform their roles. Independent consultants provide analysis and advice to ensure the packages are competitive in the market with comparable roles. In addition, to support our strategy, and to ensure that our remuneration practices are reasonable and market competitive, we have identified a peer group of similar size companies for benchmarking Managing Director and Senior Executive remuneration. We have adopted a desired market positioning around the median of the peer group.

The Remuneration Committee, through a process that considers individual, business unit and overall performance of the Group, 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.

STI

The current STI plan provides an annual cash bonus for achieving or exceeding an agreed Cash Value Added (CVA) target and is paid following the announcement of the Group's year-end results. The CVA target for each business unit and the Group overall is established during the budgeting process prior to the commencement of the respective financial year. The Remuneration Committee and Board approve the Managing Director and Senior Executive STI bonus targets for the prospective year and the determination of the actual STI bonuses after the conclusion of the financial year in accordance with the plan rules.

Remuneration Report (Audited)

3. Managing Director and Senior Executive remuneration strategy and structure continued

STI continued

For each financial year from and including FY2015 the Board has endorsed the Remuneration Committee's recommendation to adopt the following changes to the STI plan:

1. In respect of business unit Executives – STI bonuses will only be paid where CVA performance exceeds the CVA performance of the prior year and the CVA target for the relevant business unit.
2. In respect of Group Executives – STI bonuses will only be paid where Group CVA performance exceeds the Group CVA performance of the prior year and the Group CVA target.
3. CVA targets for each business unit and for the Group overall will be recommended to the Board by the Remuneration Committee in the first quarter of the financial year.

The Remuneration Committee and Board will determine the Managing Director and Senior Executive actual STI bonuses after the conclusion of the financial year in accordance with the plan rules.

The Board continues to view CVA as the most appropriate annual performance condition as it measures a true level of performance of the business without the distorting effect of financing decisions, accounting charges such as depreciation and amortisation, and whether the businesses own or rent operationally used real estate. CVA measures the return on undepreciated and unamortised net assets utilised. CVA is effective because it is the measurement that most closely compares trading profit performance (being reported profit adjusted for non-recurring items) with the replacement value of the net assets used by the businesses. Acquisition 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 the business through acquisitions. Similarly, newly acquired companies or business are typically excluded from the CVA target and evaluation process in the year following acquisition due to the impact of integration and restructuring activities, which typically occur after the acquisition.

STI bonuses are calculated as a percentage of fixed remuneration. When the agreed divisional CVA target is achieved, the CVA bonus is paid in full. If the CVA target is exceeded, the STI payment increases up to a ceiling of no more than 150 per cent of the base CVA incentive upon achieving 120 per cent of CVA target. No STI is paid where CVA falls below the CVA target. CVA targets for individual businesses are not published, as the Board believes they are commercially sensitive. However, the CVA return for the Company is published on a historical basis.

% of salary

STI	At threshold and target performance	Stretch performance
Executive Directors		
J P Ling, appointed 1 August 2013	26.7	40.0
I A Campbell, retired 31 July 2013	35.0	42.0
Senior Executives		
M Fraser	35.0	52.5
K Hope, appointed 6 December 2013	35.0	52.5
D Jackson, resigned 31 March 2014	35.0	52.5
D Birch	35.0	52.5
R Pattison	35.0	52.5
P O'Keefe, appointed 2 September 2013	35.0	52.5
P Farmakis, resigned 30 August 2013	35.0	52.5
C Andersen, resigned 31 August 2014	35.0	52.5
D Worley ¹ , appointed 2 June 2014	35.0	52.5
T Cooper	35.0	52.5

¹ Applicable only in future financial years.

The Group's corporate head office Executives receive an STI payment where the Group achieves or exceeds the Group's CVA target applying the same approach outlined above for divisional Executives.

In the event that the Group target is not achieved, a proportionally lesser STI may be earned by Group Executives only in respect of those businesses that achieve or exceed their divisional CVA targets. This aspect of the STI plan was reviewed by the Board during FY2014, and will not continue beyond FY2014. Commencing in FY2015, the STI plan for Group corporate head office Executives will require Group CVA performance to equal or exceed that of the prior year and equal or exceed the Group CVA target set by the Board. Details of the CVA STI bonuses payable to the Managing Director and Senior Executives for the year ended 30 June 2014 are set out in section four of this Report.

The Board considers that basing the STI payments on CVA performance aligns the interests of the Executives with the interests of shareholders in the businesses being operated profitably.

3. Managing Director and Senior Executive remuneration strategy and structure continued

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 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 resources 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 comprises approximately 100–125 companies.

LTI – current practice

The LTI in operation for FY2014 provides for an annual cash reward consisting of tranches covering rolling three-year measurement periods.

A bonus is paid where the Group's TSR over the measurement period is equal to or exceeds the median (50th percentile) of the comparator group ranked by TSR. The bonus increases up to the maximum payment when Group TSR equals or exceeds the 75th percentile of the comparator group. In assessing whether the TSR hurdle has been met, the Remuneration Committee receives independent data.

The LTI bonus for target performance is 15 per cent of salary for Senior Executives.

Upon cessation of employment due to resignation, only the vested amount is due as an LTI bonus. In cases of retirement, total disablement and death, the Board will pay a pro rata LTI bonus in accordance with TSR performance at the date the Executive's employment ceases. In other circumstances the Board may pay a pro rata LTI bonus, for example, the Board may award a pro rata amount of the LTI bonus having regard to performance against the TSR hurdle should the Group be the subject of a successful takeover bid or other change of control.

LTI – FY2015 and beyond

Following shareholder approval at the November 2012 Annual General Meeting, a new LTI plan was implemented for FY2015 and beyond. LTI bonuses will be provided as performance rights, granted at the commencement of the relevant three-year period, which will convert to GUD shares if the performance hurdle is achieved over the relevant three-year performance period. The plan is in line with market norms, supports the delivery of the Group's long-term strategy and ensures that the Managing Director and Senior Executives hold an exposure to equity. LTI targets will be set as a percentage of the Managing Director's and Senior Executives' salary on grant, stated as a number of shares determined by applying the share price at the commencement of the relevant year of grant.

The first award under the new LTI plan will vest at the end of FY2015 based on the TSR performance hurdle being achieved over the three-year period to that date. The second award under the new LTI plan will vest at the end of FY2016 based on the TSR performance hurdle being achieved over the three-year period to that date.

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

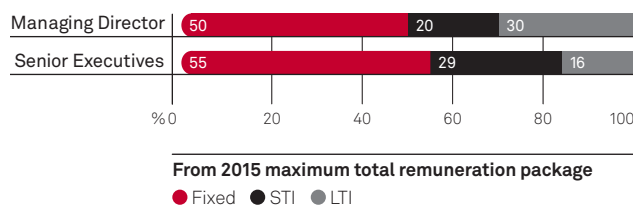
Upon cessation of employment, the Board has the discretion to allow a pro rata portion of the granted performance rights to remain 'on foot' subject to the plan rules and the performance criteria. The remaining performance rights of a departing Executive lapse in accordance with plan rules.

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 introducing the LTI plan for FY2015 and beyond, the Remuneration Committee also sought to increase the proportion of overall potential remuneration rewarded in line with business performance.

As a result of the changes to the LTI plan, from FY2015 the maximum remuneration mix for the Managing Director and Senior Executives will be as follows:



Under prevailing accounting standards, the potential cost to the Company from issuing performance rights is actuarially assessed and accrued over the three-year performance testing period.

Remuneration Report (Audited)

4. Remuneration for the Executive Directors and senior executives

Executive remuneration for the year ending 30 June 2014

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

		Short-term employment benefits					
	Year	Salary and fees \$	STI cash bonus \$	Leave entitlements \$	LTI cash bonus ¹ \$	Income protection premium \$	Car benefits \$
Executive Directors							
J P Ling (appointed Aug 13)	2014	790,000	121,678	27,930	–	1,009	–
	2013	–	–	–	–	–	–
I A Campbell (retired Jul 13)	2014	84,325	–	–	–	306	6,230
	2013	1,085,537	115,095	19,647	–	3,193	74,764
Senior Executives							
M Fraser	2014	475,433	88,671	14,094	–	1,102	28,136
	2013	464,497	52,822	(5,182)	–	958	26,870
K Hope (appointed Dec 13)	2014	213,462	–	14,916	–	643	–
	2013	–	–	–	–	–	–
D Jackson ⁴ (resigned Mar 14)	2014	165,955	–	11,192	–	477	10,380
	2013	378,056	–	(4,078)	–	958	24,000
D Birch	2014	303,944	110,325	8,106	–	–	24,200
	2013	296,756	–	4,960	–	–	26,597
R Pattison	2014	358,371	174,793	26,443	–	3,672	6,075
	2013	326,411	169,591	8,973	–	3,192	23,637
P O'Keefe ⁵ (appointed Aug 13)	2014	386,667	100,000	13,163	–	735	–
	2013	–	–	–	–	–	–
P Farmakis (resigned Aug 13)	2014	124,950	–	6,408	–	184	–
	2013	490,000	51,450	9,423	–	958	–
D Worley (appointed Jun 14)	2014	38,686	–	–	–	92	–
	2013	–	–	–	–	–	–
C Andersen (resigned Aug 14) ⁶	2014	358,221	–	9,429	–	1,014	24,161
	2013	381,594	–	18,166	–	958	26,640
T Cooper	2014	305,772	124,156	10,233	–	3,511	–
	2013	300,000	125,676	10,999	–	2,993	–
Total remuneration of Executive Directors and Senior Executives of the Group							
	2014	3,605,786	719,623	141,914	–	12,745	99,182
	2013	3,722,851	514,634	62,908	–	13,210	202,508
Total remuneration of Non-Executive Directors							
	2014	670,000	–	–	–	–	–
	2013	642,635	–	–	–	–	–
Total remuneration (compensation of key management personnel of the Group)							
	2014	4,275,786	719,623	141,914	–	12,745	99,182
	2013	4,365,486	514,634	62,908	–	13,210	202,508

1 This is the LTI cash bonus for the 2013 and 2014 financial years as described on page 31.

2 The fair value of performance rights granted under the 2015 and 2016 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 allocated to the 2014 reporting period.

3 Consistent with his expiring contract, Mr Campbell received an end of service payment of an amount equal to his average annual base salary for the three years up to the end of his contract.

4 David Jackson resigned in accordance with the notice provisions of his contract outlined in paragraph 6 of this Report. He was relieved of his KMP responsibilities on 5 December 2013 and remained employed in an advisory role until the end of his notice period on 31 March 2014 and was remunerated in accordance with his existing contract of employment. The table above discloses his remuneration proportional to the period he was a KMP.

5 Paul O'Keefe was set a bonus target of \$100,000 to scope, define and initiate profit improvement plans for Dexion, which were achieved on schedule.

6 Carsten Andersen resigned in accordance with the notice provisions of his contract outlined in paragraph 6 of this Report. He was relieved of his KMP responsibilities on 1 June 2014 and will remain in an advisory role until the end of his notice period on 31 August 2014.

Total short-term employment benefits \$	Long-term benefits	Share-based payments	Post-employment benefits		Total \$	Proportion of total that is performance related %	Value of equity remuneration as a proportion of total remuneration %
	Long service leave \$	Equity remuneration value of performance rights ² \$	Superannuation \$	Retirement ³ \$			
940,617	2,295	50,580	35,000	–	1,028,492	16.7	4.9
–	–	–	–	–	–	N/A	N/A
90,861	2,168	47,948	7,800	–	148,777	32.2	32.2
1,298,236	(28,209)	86,563	19,963	1,213,430	2,589,983	7.8	3.3
607,436	3,477	50,692	25,000	–	686,605	20.3	7.4
539,965	7,485	16,468	25,000	–	588,918	11.8	2.8
229,021	3,545	3,048	14,583	–	250,197	1.2	1.2
–	–	–	–	–	–	N/A	N/A
188,004	–	20,637	14,416	101,931	324,988	6.4	6.4
398,936	13,355	13,864	34,025	–	460,180	3.0	3.0
446,575	5,019	33,322	25,000	–	509,916	28.2	6.5
328,313	8,540	10,825	25,000	–	372,678	2.9	2.9
569,354	8,561	36,845	30,797	–	645,557	32.8	5.7
531,804	11,863	11,969	29,377	–	585,013	31.0	2.0
500,565	–	4,882	16,766	–	522,213	20.1	0.9
–	–	–	–	–	–	N/A	N/A
131,542	–	12,100	6,711	–	150,353	8.0	8.0
551,831	8,715	17,969	25,000	–	603,515	11.5	3.0
38,778	–	–	2,083	–	40,861	0.0	0.0
–	–	–	–	–	–	N/A	N/A
392,825	–	38,762	23,014	–	454,601	8.5	8.5
427,358	7,870	13,679	25,000	–	473,907	2.9	2.9
443,672	1,742	33,863	28,284	–	507,561	31.1	6.7
439,668	23,744	11,001	27,000	–	501,413	27.3	2.2
4,579,250	26,807	332,679	229,454	101,931	5,270,121		
4,516,111	53,363	182,338	210,365	1,213,430	6,175,607		
670,000	–	–	61,975	–	731,975		
642,635	–	–	57,837	–	700,472		
5,249,250	26,807	332,679	291,429	101,931	6,002,096		
5,158,746	53,363	182,338	268,202	1,213,430	6,876,079		

Remuneration Report (Audited)

4. Remuneration for the Executive Directors and senior executives continued

Non-statutory compensation received by key management personnel

The table on the previous page provides a breakdown of the Company's Senior Executive remuneration in accordance with statutory obligations and accounting standards. However, the Board is aware that the format in which the Company is required to present this information may make it difficult for shareholders to understand the total remuneration actually earned by Senior Executives from the various components of their remuneration in respect of the 2014 financial year.

The following table represents non-IFRS information and sets out the total cost to the Company, excluding the fair value of performance rights granted under the 2015 and 2016 performance rights plans. The amount actually received, if any, under the performance rights plan may vary from the amount measured and recognised in accordance with statutory requirements and accounting standards and has therefore been excluded to better reflect the actual compensation received for the financial year.

	Year	Total \$	Value of performance rights granted prior to vesting conditions \$	Value of performance rights vested in favour of the Executive Director or Senior Executives \$	Total remuneration received by the Executive Director or Senior Executives \$
Executive Directors					
J P Ling (appointed Aug 13)	2014 2013	1,028,492 –	(50,580) –	– –	977,912 –
I A Campbell (retired Jul 13)	2014 2013	148,777 2,589,983	(47,948) (86,563)	– –	100,829 2,503,420
Senior Executives					
M Fraser	2014 2013	686,605 588,918	(50,692) (16,468)	– –	635,913 572,450
K Hope (appointed Dec 13)	2014 2013	250,197 –	(3,048) –	– –	247,149 –
D Jackson (resigned Mar 14)	2014 2013	324,988 460,180	(20,637) (13,864)	– –	304,351 446,316
D Birch	2014 2013	509,916 372,678	(33,322) (10,825)	– –	476,594 361,853
R Pattison	2014 2013	645,557 585,013	(36,845) (11,969)	– –	608,712 573,044
P O'Keefe (appointed Sep 13)	2014 2013	522,213 –	(4,882) –	– –	517,331 –
P Farmakis (resigned Aug 13)	2014 2013	150,353 603,515	(12,100) (17,969)	– –	138,253 585,546
D Worley (appointed Jun 14)	2014 2013	40,861 –	– –	– –	40,861 –
C Andersen (resigned Aug 14)	2014 2013	454,601 473,907	(38,762) (13,679)	– –	415,839 460,228
T Cooper	2014 2013	507,561 501,413	(33,863) (11,001)	– –	473,698 490,412
Total remuneration of Executive Directors and Senior Executives of the Group					
	2014 2013	5,270,121 6,175,607	(332,679) (182,338)	– –	4,937,442 5,993,269

4. Remuneration for the Executive Directors and senior executives continued

GUD Holdings Limited shares held by the key management personnel

The following table discloses changes in the shareholdings of key management personnel in the Company.

For the year ended 30 June 2014		Balance at	Net other	Balance at
Number of shares		1 Jul 13	change	30 Jun 14
Directors				
Non-Executive				
R M Herron	Chairman	23,210	–	23,210
P A F Hay		3,863	–	3,863
M G Smith		5,560	–	5,560
G A Billings		–	–	–
D D Robinson		–	–	–
Executive				
J P Ling	Managing Director, appointed 1 August 2013	–	85,470	85,470
I A Campbell	Former Managing Director, retired 31 July 2013	40,000	(40,000)	–
Other key management personnel				
M Fraser	Chief Financial Officer	–	40,000	40,000
K Hope	Chief Executive – Sunbeam Corporation Ltd, appointed 6 December 2013	–	–	–
D Jackson	Former Chief Executive – Sunbeam Corporation Ltd, resigned 31 March 2014	–	–	–
D Birch	Chief Executive – E D Oates Pty Ltd	–	–	–
R Pattison	Chief Executive – GUD Automotive Pty Ltd	–	–	–
C Andersen	Former Chief Executive – Davey Water Products Pty Ltd, resigned 31 August 2014	–	–	–
D Worley	Chief Executive – Davey Water Products Pty Ltd, appointed 2 June 2014	–	–	–
T Cooper	Managing Director – Wesfil Australia Pty Ltd	–	–	–
P O'Keefe	Chief Executive – Dexion Ltd, appointed 2 September 2013	–	–	–
P Farmakis	Former Chief Executive – Dexion Ltd, resigned 30 August 2013	–	–	–
		72,633	85,470	158,103

Note: The remaining share holdings of KMP who retired or resigned in the year have been removed as a 'net other change' on the date of their departure.

Remuneration Report (Audited)

4. Remuneration for the Executive Directors and senior executives continued

Performance rights

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

	Rights granted during 2014	Grant date	Vesting date	Fair value per performance right at grant date \$	Fair value of rights granted during the year \$
Executive Director					
J P Ling, appointed 1 August 2013	78,673	31 October 2013	30 June 2016	2.05	161,280
Senior Executives					
M Fraser	21,841	24 July 2013	30 June 2016	3.23	70,546
K Hope, appointed 6 December 2013	10,430	13 December 2013	30 June 2016	1.30	13,559
D Jackson, resigned 31 March 2014	18,386	24 July 2013	30 June 2016	3.23	59,387
D Birch	14,356	24 July 2013	30 June 2016	3.23	46,370
R Pattison	15,875	24 July 2013	30 June 2016	3.23	51,276
C Anderson, resigned 31 August 2014	18,142	24 July 2013	30 June 2016	3.23	58,599
D Worley, appointed 2 June 2014	–	–	–	–	–
T Cooper	14,590	24 July 2013	30 June 2016	3.23	47,126
P O'Keefe, appointed 2 September 2013	15,099	13 December 2013	30 June 2016	1.30	19,629

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

	Grant date	Vesting period end date	Fair value per performance right \$	Exercise price \$	Price of shares on grant date \$	Estimated volatility %	Risk free interest rate %	Dividend yield %
Grant to Executive Director	31 October 2013	30 June 2016	2.05	0.00	5.93	20	2.80	7.50
Grant to Senior Executives	24 July 2013	30 June 2016	3.23	0.00	6.58	20	2.59	8.50
Grant to Senior Executives	13 December 2013	30 June 2016	1.30	0.00	5.15	20	2.80	7.50

4. Remuneration for the Executive Directors and senior executives continued

Performance rights holdings of key management personnel

The following table discloses changes in the performance rights holdings of key management personnel in the Company.

	Balance at 1 July 2013	Rights granted during the year	Rights vested during the year	Rights lapsed the year	Balance at 30 June 2014
Executive Directors					
J P Ling, appointed 1 August 2013	–	78,673	–	–	78,673
I A Campbell, retired 31 July 2013 ¹	84,745	–	–	(54,143)	30,602
Senior Executives					
M Fraser	16,122	21,841	–	–	37,963
K Hope, appointed 6 December 2013	–	10,430	–	–	10,430
D Jackson, resigned 31 March 2014 ¹	13,573	18,386	–	(19,444)	12,515
D Birch	10,598	14,356	–	–	24,954
R Pattison	11,718	15,875	–	–	27,593
C Andersen, resigned 31 August 2014	13,392	18,142	–	–	31,534
T Cooper	10,770	14,590	–	–	25,360
P O'Keefe, appointed 2 September 2013	–	15,099	–	–	15,099
P Farmakis, resigned 30 August 2013 ¹	17,592	–	–	(10,751)	6,841
Total	178,510	207,392	–	(84,338)	301,564

¹ At the end of employment, a determination may be made by the Board to allow a pro-rata amount of performance rights granted to remain 'on foot' in accordance with plan rules.

Remuneration Report (Audited)

5. Link between performance and remuneration outcomes

GUD's operating performance has been solid and consistent and has delivered superior total shareholder returns.

STI

In the current year, the following businesses in the consolidated entity exceeded CVA targets: GUD Automotive, Wesfil and Oates. As a result, Executives of those business units received an STI bonus payment based on achieving or exceeding the business unit CVA performance. In addition, corporate Executives, including the Managing Director and Chief Financial Officer, received a partial bonus reflecting the achievements of CVA targets by some, but not all, of the businesses.

	Maximum STI opportunity \$	Actual STI bonus payment* \$	Actual STI bonus payment as a % of maximum STI %	Forfeited %
STI bonus payable for the year ended 30 June 2014				
Executive Directors				
J P Ling, appointed 1 August 2013	330,000	121,678	37	63
Senior Executives				
M Fraser	240,483	88,671	37	63
K Hope, appointed 6 December 2013	114,844	–	0	100
D Birch	158,074	110,325	70	30
R Pattison	174,793	174,793	100	0
P O'Keefe, appointed 2 September 2013	166,250	–	0	100
C Andersen	199,753	–	0	100
T Cooper	160,650	124,631	78	22

* A minimum level of performance must be achieved before any STI bonus is payable. Therefore the minimum potential value of the STI that was awarded in respect of FY14 was nil.

The payment relates to STI bonus earned in the year ended 30 June 2014 and payable in July 2014.

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

LTI – Cash Incentive Plan

No LTI performance bonuses were achieved for any TSR performance tranches.

The relative TSR of the Company in relation to the comparator group for the relevant periods were:

TSR performance tranche	Current year (to 30 June 2014)	Prior year (to 30 June 2013)
1 Year tranche	N/A	N/A
1.5 Year tranche	N/A	35th percentile
2 Year tranche	N/A	34th percentile
2.5 Year tranche	37th percentile	N/A
3 Year tranche	36th percentile	37th percentile

There were no KMPs in the 1 Year, 1.5 Year or 2 Year tranches in the 2014 financial year, therefore these figures were not calculated. Similarly, there were no KMPs in the 1 Year and 2.5 Year tranches in the 2013 financial year, therefore these figures were not calculated. The Chief Financial Officer was in a 2.5 Year tranche in 2014 and therefore this calculation was obtained for the 2014 financial year.

5. Link between performance and remuneration outcomes continued

LTI – Cash Incentive Plan continued

Accordingly, the following table discloses the maximum LTI opportunity, the amounts paid and resulting opportunity forfeited.

	Maximum	Amount paid*	Payable	Forfeited
Three-year performance bonus (LTI) paid for the year ended 30 June 2014	LTI opportunity			
	\$	\$	%	%
Executive Directors				
J P Ling, appointed 1 August 2013	–	–	N/A	N/A
I A Campbell, retired 31 July 2013	–	–	N/A	N/A
Senior Executives				
M Fraser ¹	150,000	–	0%	100%
K Hope, appointed 6 December 2013	–	–	N/A	N/A
D Jackson, resigned 31 March 2014	86,764	–	0%	100%
D Birch	67,746	–	0%	100%
R Pattison	74,909	–	0%	100%
P O'Keefe, appointed 2 September 2013	–	–	N/A	N/A
P Farmakis, resigned 30 August 2013	112,455	–	0%	100%
C Andersen, resigned 31 August 2014	85,608	–	0%	100%
T Cooper	68,850	–	0%	100%

* The payment relates to three-year performance bonus earned in the year ended 30 June 2014 and paid in July 2014. The minimum value of the bonus was nil, no amounts were payable to any of the Executive Directors or Senior Executives.

¹ Mr Fraser joined the Company on 1 January 2012. As per the terms of his contract, he participated in the LTI for the 30-month period ending 30 June 2014.

Company performance and shareholder wealth

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

The Board will continue 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.

Financial year	EBIT¹ \$m	EPS¹ Cents	Total DPS² Cents	Opening share price \$	Closing share price \$	Dividend yield %
30 June 2010	71.6	76.5	62.0	6.42	8.65	7.2
30 June 2011	77.1	71.7	64.0	8.65	9.10	7.0
30 June 2012	70.3	62.9	65.0	9.10	8.60	7.6
30 June 2013	56.4	52.5	52.0	8.60	5.99	8.7
30 June 2014	49.0	43.5	36.0	5.99	6.22	5.8

¹ EBIT and EPS are presented before significant one-off items.

² The DPS presented does not include special dividends. The following special dividends have been paid in the five-year period: 35 cents paid on 16 August 2012, 10 cents paid on 6 March 2013 and 10 cents paid on 3 September 2013.

Remuneration Report (Audited)

6. Service agreements

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

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

Name	Notice periods/termination payment
J P Ling	<ul style="list-style-type: none">– Unlimited in term.– A notice period of six months by either party applies, except in the case of termination by the Company for cause.– On termination, Mr Ling is entitled to receive his statutory entitlements of accrued annual and long service leave, together with superannuation benefits.
Senior Executives	<ul style="list-style-type: none">– Unlimited in term.– One or three months' notice by either party (or payment in lieu), except as noted below.– On termination, Senior Executives are entitled to receive their statutory entitlements of accrued annual and long service leave, together with superannuation benefits.– Mr Cooper is employed under a contract entered into in September 1996. That contract provides for 12 months' notice of termination by either party. Accordingly, if the employment were to be terminated without due notice, Mr Cooper would be entitled to a termination payment of 12 months' salary package.– Apart from Mr Cooper, no current Senior Executive contract includes termination benefits additional to the notice period and statutory entitlements described above.

7. Non-Executive Directors' remuneration

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

Remuneration policy

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

Fees payable to Non-Executive Directors are determined within the maximum aggregate amount that is approved by shareholders. The current maximum aggregate fee amount is \$1,000,000, approved by shareholders at the 2013 Annual General Meeting.

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

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

7. Non-Executive Directors' remuneration continued

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 2014 are set out in the table below:

	Board	Audit & Compliance Committee	Remuneration Committee	Nominations Committee
Chairman of	\$250,000	\$10,000	\$10,000	Nil
Members of	\$100,000	Nil	Nil	Nil

In accordance with rule 36 of the Constitution, Directors are permitted additional fees for special services or exertions.

No such fees were paid during the year. Directors are also entitled to be reimbursed for all business-related expenses, including travel on Company business, as may be incurred in the discharge of their duties.

Equity participation

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

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

Superannuation

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

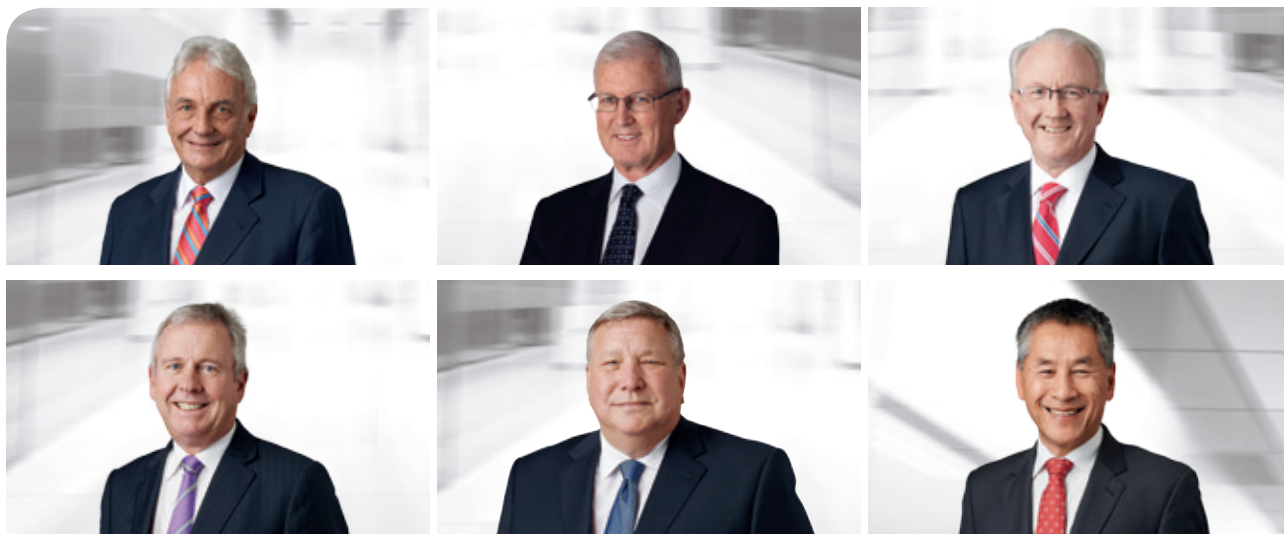
Remuneration

Details of the nature and amount of each element of the remuneration of Non-Executive Directors for the year ended 30 June 2014 are set out in the table below.

	Year	Short-term employment benefits	Post-employment benefits		Total \$
		Directors' fees \$	Superannuation \$	Retirement \$	
Non-Executive Directors					
R M Herron	2014	250,000	23,125	–	273,125
	2013	239,475	21,553	–	261,028
P A F Hay	2014	110,000	10,175	–	120,175
	2013	105,790	9,521	–	115,311
M G Smith	2014	100,000	9,250	–	109,250
	2013	95,790	8,621	–	104,411
G A Billings	2014	110,000	10,175	–	120,175
	2013	105,790	9,521	–	115,311
D D Robinson	2014	100,000	9,250	–	109,250
	2013	95,790	8,621	–	104,411
Total Remuneration of Non-Executive Directors	2014	670,000	61,975	–	731,975
	2013	642,635	57,837	–	700,472

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

Board of Directors



Top from left to right: Ross Herron, Peter Hay, Mark Smith
Bottom from left to right: Graeme Billings, David Robinson, Jonathan Ling

R M Herron * FCA FAICD

Appointed Non-Executive Director on 17 June 2004.
Appointed Chairman on 1 January 2012.

Mr Herron has been a Chartered Accountant since 1973.

Mr Herron is currently President and Chairman of the Royal Automobile Club of Victoria (RACV) Ltd (Non-Executive Director since July 2007). He is also a Non-Executive Director of Select Harvests Limited (since January 2005) and a major industry superannuation fund.

He is a former Deputy Chairman of Coopers & Lybrand (now PricewaterhouseCoopers) and retired as a partner of PricewaterhouseCoopers in December 2002. Mr Herron is a former Director of Heemskirk Consolidated Limited (retired February 2011) and Customers Limited (retired July 2012).

P A F Hay * LLB FAICD

Appointed Non-Executive Director on 26 May 2009.
Appointed Chairman of the Remuneration Committee on 22 June 2010.

Mr Hay is currently Chairman of Newcrest Limited (appointed January 2014) and is a Director of CFX Co Ltd and Commonwealth Managed Investments Limited (appointed July 2014).

Mr Hay is a Director of the Australian Institute of Company Directors Ltd (appointed November 2012), Landcare Australia Limited and a member of the Australian Government Takeovers Panel (since May 2009).

Mr Hay is a former Director of NBN Co Limited (retired August 2012), Alumina Limited (retired December 2013), Australia and New Zealand Banking Group Limited (retired April 2014) and Myer Holdings Limited (retired July 2014).

He is former Chairman of the Advisory Board of Lazard in Australia (retired October 2013).

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

Appointed Non-Executive Director on 26 May 2009.
Mr Smith is Non-Executive Director and Chairman of Patties Foods Ltd (since April 2013) and a Non-Executive Director of Toll Holdings Limited (since July 2007).

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 marketing management positions with Unilever and Uncle Toby's. He is a former Chairman of Food Holdings Limited (retired August 2011).

G A Billings * BCom FCA MAICD

Appointed Non-Executive Director on 20 December 2011.
Appointed Chairman of Audit & Compliance Committee on 1 January 2012.

Mr Billings has been a Chartered Accountant since 1980 and retired from PricewaterhouseCoopers in 2011 after 34 years. He is a former head of the Melbourne Assurance practice as well as heading the firm's Australian and Global Industrial Products business.

He has had extensive experience over a 34-year period providing assurance, transaction and consulting services to multi-national and national clients in the automotive, construction and manufacturing industries.

Mr Billings was appointed as a Non-Executive Director of Korvest Limited on 7 May 2013 and Clover Corporation Limited on 20 May 2013.

D D Robinson *

Appointed Non-Executive Director on 20 December 2011.

Mr Robinson spent the past 22 years 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.

J P Ling

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

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

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

* All Non-Executive Directors are independent.

Executives



Top from left to right: Martin Fraser, Malcolm Tyler, David Draycott
Bottom from left to right: Karen Hope, David Birch, Paul O'Keefe

M A Fraser B Bus, EMBA, GAICD, FCA

Chief Financial Officer

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

M G Tyler LLB BCom (Hons) MBA ACIS

Company Secretary

Mr Tyler is an associate of Chartered Secretaries Australia, a former partner with Freehills and general counsel with Southcorp Limited. He has held a legal practising certificate in Victoria for 28 years.

D A Draycott Dip. Bus. Studies, Grad. Dip. Accounting, AMAMI

General Manager Strategy & Planning

Mr Draycott joined GUD in June 1997. Prior to that he was with Bunge Australia in both operational and corporate roles, latterly as General Manager, Sunicrust Clayton Bakery. Mr Draycott commenced his career with Metal Box UK, then spent time in the marketing research profession at A C Nielsen.

Sunbeam

K Hope EMBA

Chief Executive Officer

Ms Hope had several years in finance and accounting roles in the airline industry before moving to retail in 2001. She has held senior finance and general management roles in retail, including CEO of Barbeques Galore and COO of Apparel Group.

ED Oates

D Birch Dip. Bus. Studies (UK)

Chief Executive Officer

Mr Birch's early career began in the UK with Matchbox, the world toy brand, followed by an international role in the computer games and console industry. That role subsequently led to a move to Australia with the Playcorp Group. Subsequent senior management roles with HWI in Melbourne were held prior to joining Oates in 2006.

Dexion Group

P O'Keefe B Bus (Accounting), CPA

Chief Executive Officer

Mr O'Keefe joined Dexion in October 2013. He has held executive leadership roles for over 20 years most notably in the steel industry where he worked for Smorgon Steel and BlueScope Steel.

Executives



Top from left to right: Bob Pattison, Terry Cooper
Bottom from left to right: David Worley, Geoff Charnley

GUD Automotive

B Pattison BB (Mkt) CPM AMI

Chief Executive Officer

Mr Pattison joined GUD Automotive as CEO in 2004. He has a wealth of experience in the automotive industry having held senior sales, marketing, and general management roles with Ford, International Harvester, Nissan and Calsonic. In 2013 he was appointed President of the Australian Automotive Aftermarket Association.

Wesfil

T Cooper

Managing Director

Mr Cooper has been the Managing Director of Wesfil since selling the business to the GUD Group in 1996. He has been actively involved in the automotive aftermarket industry for over 30 years and has been instrumental in driving the growth of Wesfil since it became part of GUD.

Davey Water Products

D Worley BCom, EMBA, GAICD

Chief Executive Officer

Mr Worley joined GUD in late May following 11 years at Fletcher Building in senior executive positions, including CE Fletcher Distribution, CE Laminex Group and CE Crane Group and prior to that held senior operational roles primarily in manufacturing and distribution industries.

Lock Focus

G Charnley BE (Mechanical Hons)

Chief Executive Officer

Mr Charnley has been with GUD for five years. He previously worked at Mobil Oil, Amcor and Huyck Wangner in engineering, operations and general management roles. He has extensive experience in Asia involving customer contact, product sourcing and establishing manufacturing plants with companies creating technical products and solutions.

Financial Statements

Results for announcement to the market	42
Consolidated Income Statement	43
Consolidated Statement of Comprehensive Income	44
Consolidated Balance Sheet	45
Consolidated Statement of Changes in Equity	46
Consolidated Cash Flow Statement	47
Notes to the consolidated financial statements	48
Directors' Declaration	82
Lead Auditor's Independence Declaration	83
Independent Auditor's Report	84



Results for announcement to the market

For the year ended 30 June 2014

Results		% change		\$'000
Revenue	Down	0.8	to	591,640
Reported net profit for the period attributable to members	Down	43.8	to	17,684
Add back: restructuring and impairment costs (net of tax)				13,321
Underlying profit after tax*	Down	17.1	to	31,005
Reported operating profit before interest and tax	Down	38.4	to	30,058
Add back: restructuring and impairment costs (before tax)				18,986
Underlying profit before interest and tax*	Down	13.1	to	49,044

* Underlying profit after tax and underlying profit before interest and tax are non-IFRS measures that have not been subject to audit or review.

Dividends		Amount per security	% franked
Final dividend		18 cents	100
Date the dividend is payable	3 September 2014		
Record date for determining entitlements to the dividend	20 August 2014		
Trading ex-dividend	4 August 2014		

Amount of dividend per security

Interim dividend		%
In respect of the 2014 financial year as at 31 December 2013	18 cents	100
In respect of the 2013 financial year as at 31 December 2012	26 cents	100
Final dividend		
In respect of the 2014 financial year as at 30 June 2014	18 cents	100
In respect of the 2013 financial year as at 30 June 2013	26 cents	100
Special dividends		
Announced on 24 July 2013	10 cents	100

Net tangible assets per security

As at 30 June 2014	\$0.59
As at 30 June 2013	\$0.96

This preliminary final report is based on financial statements that have been audited.

Refer to the media release for a brief explanation of the figures reported above.

Consolidated Income Statement

For the year ended 30 June 2014

	Note	2014 \$'000	2013 \$'000
Revenue	2a	591,640	596,452
Cost of goods sold, including impairment and restructuring costs	2c	(386,710)	(376,834)
Gross profit		204,930	219,618
Other income	2b	521	386
Marketing and selling		(70,701)	(68,939)
Product development and sourcing, including impairment and restructuring costs	2c	(11,302)	(8,628)
Logistics expenses and outward freight, including restructuring costs	2c	(53,101)	(53,787)
Administration, including restructuring costs	2c	(38,494)	(36,031)
Other expenses, including impairment of brand names	2c	(1,795)	(3,857)
Results from operating activities		30,058	48,762
Net finance costs	2c	(6,381)	(5,234)
Profit before income tax		23,677	43,528
Income tax expense	3	(5,993)	(12,064)
Profit for the year		17,684	31,464
Earnings per share:			
Basic earnings per share (cents per share)	28	24.8	44.2
Diluted earnings per share (cents per share)	28	24.6	44.0

Notes to the consolidated financial statements are annexed.

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2014

	2014	2013
	\$'000	\$'000
Profit for the year	17,684	31,464
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss		
Exchange differences on translating results of foreign operations	(510)	1,520
Fair value adjustments recognised in cash flow hedge reserve	1,663	6,144
Net change in fair value of cash flow hedges transferred to inventory	(12,074)	(2,075)
Income tax on items that may be reclassified subsequently to profit or loss	3,115	(1,218)
Other comprehensive income for the year, net of income tax	(7,806)	4,371
Total comprehensive income for the year	9,878	35,835

Notes to the consolidated financial statements are annexed.

Consolidated Balance Sheet

As at 30 June 2014

	Note	2014 \$'000	2013 \$'000
Current assets			
Cash and cash equivalents	6	23,301	24,401
Trade and other receivables	7	91,872	75,418
Other financial assets	8a	1	8,048
Current tax receivable		728	1,111
Other assets	9	7,028	6,024
Inventories	10	111,481	98,257
Total current assets		234,411	213,259
Non-current assets			
Other financial assets	8b	3,517	3,547
Property, plant and equipment	11	31,131	33,209
Deferred tax assets	3c	6,296	1,287
Goodwill	12	106,998	106,580
Other intangible assets	13	60,667	63,816
Total non-current assets		208,609	208,439
Total assets		443,020	421,698
Current liabilities			
Trade and other payables	14a	84,026	67,396
Borrowings	15a	8,887	8,318
Current tax payables		152	1,631
Provisions	16a	23,750	17,547
Total current liabilities		116,815	94,892
Non-current liabilities			
Borrowings	15b	112,857	80,975
Other financial liabilities	14b	312	-
Deferred tax liabilities	3c	437	2,257
Provisions	16b	3,324	4,471
Total non-current liabilities		116,930	87,703
Total liabilities		233,745	182,595
Net assets		209,275	239,103
Equity			
Share capital	17	184,629	186,798
Reserves	18	(2,145)	4,692
Retained earnings		26,791	47,613
Total equity		209,275	239,103

Notes to the consolidated financial statements are annexed.

Consolidated Statement of Changes in Equity

	Note	2014 \$'000	2013 \$'000
Retained earnings			
Retained earnings at the beginning of the year		47,613	91,394
Profit for the year		17,684	31,464
Dividends paid	5	(38,506)	(75,245)
Retained earnings at the end of the year		26,791	47,613
Reserves			
Foreign Currency Translation Reserve:			
Balance at the beginning of the year		(265)	(1,785)
Exchange differences on translating foreign operations		(510)	1,520
Balance at the end of the year		(775)	(265)
Cash Flow Hedge Reserve:			
Balance at the beginning of the year		4,577	1,726
Fair value adjustments transferred to equity – net of tax		1,164	4,308
Amounts transferred to inventory – net of tax		(8,460)	(1,457)
Balance at the end of the year		(2,719)	4,577
Equity Compensation Reserve:			
Balance at the beginning of the year		380	–
Equity settled share-based payment transactions		969	380
Balance at the end of the year		1,349	380
Reserves at the end of the year		(2,145)	4,692
Share Capital			
Share capital at the beginning of the year: 71,341,319 (1 July 2012: 70,803,455) fully paid shares			
		186,798	182,324
Dividend Reinvestment Plan	17	–	4,474
Share buy back	17	(2,169)	–
Share capital at the end of the year: 70,939,492 (30 June 2013: 71,341,319) fully paid shares		184,629	186,798
Total equity		209,275	239,103

The amounts recognised directly in equity are net of tax.

Notes to the consolidated financial statements are annexed.

Consolidated Cash Flow Statement

For the year ended 30 June 2014

	Note	2014 \$'000	2013 \$'000
Cash flows from operating activities			
Receipts from customers		635,625	668,886
Payments to suppliers and employees		(595,183)	(602,494)
Income taxes paid		(10,803)	(14,918)
Net cash provided by operating activities	23	29,639	51,474
Cash flows from investing activities			
Payments for property, plant and equipment		(12,135)	(9,390)
Proceeds from sale of property, plant and equipment		–	37
Payments for intangible assets and product development costs		(4,302)	(5,061)
Income taxes paid in respect of available for sale asset sold in the prior financial year		–	(7,957)
Net cash (used in)/provided by investing activities		(16,437)	(22,371)
Cash flows from financing activities			
Net proceeds/(repayments) of borrowings		32,114	52,510
Payments for share buy-backs		(2,169)	–
Interest received		82	197
Interest paid		(5,625)	(6,772)
Dividends paid		(38,506)	(70,771)
Net cash used in financing activities		(14,104)	(24,836)
Net increase in cash held		(902)	4,267
Cash at the beginning of the year		24,401	19,247
Effects of exchange rate changes on the balance of cash held in foreign currencies		(198)	887
Cash at the end of the year	6	23,301	24,401

Notes to the consolidated financial statements are annexed.

Notes to the consolidated financial statements

1. Summary of accounting policies

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 2014 comprise the Company and its subsidiaries (together referred to as the 'Consolidated Entity').

Basis of preparation

Statement of compliance

The consolidated financial statements are general purpose financial statements that 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 25 July 2014.

Basis of measurement

The consolidated financial statements have been prepared on the basis of historical cost, except for derivative financial instruments, which are measured at fair value.

Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency. The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

Use of estimates and judgements

In the preparation of the consolidated financial statements, the Directors are required to make judgements, estimates and assumptions that affect the application of accounting policies and the reported carrying values of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

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

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

- Note 12 – Goodwill
- Note 13 – Other intangible assets
- Note 26 – Financial instruments and financial risk management

Significant accounting policies

The following significant accounting policies have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by entities within the Consolidated Entity.

a) Principles of consolidation

The consolidated financial statements are the financial statements of all the entities that comprise the Consolidated Entity, being the Company and its subsidiaries as defined in Accounting Standard AASB 10 Consolidated Financial Statements. A list of subsidiaries appears in note 19 to the consolidated financial statements.

In preparing the consolidated financial statements, all intercompany balances and transactions and unrealised profits arising within the Consolidated Entity are eliminated in full.

b) Business combinations

On acquisition, the identifiable assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If the fair values of the identifiable net assets acquired exceed the cost of acquisition, such excess is credited to the income statement in the period of acquisition.

The consolidated financial statements include the information and results of each subsidiary from the date on which the Company obtains control and until such time as the Company ceases to control such entity.

Transaction costs incurred in connection with a business combination are expensed as incurred.

c) Foreign currency

Foreign currency transactions

All foreign currency transactions during the year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items are translated at the exchange rates prevailing at the reporting date.

Exchange differences are recognised in the income statement in the period in which they arise except for:

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (refer 'Derivative financial instruments'); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, which are recognised in the foreign currency translation reserve and recognised in the income statement on disposal of the net investments.

1. Summary of accounting policies continued

Foreign operations

On consolidation, the assets and liabilities of the Consolidated Entity's foreign operations are translated at exchange rates prevailing at the reporting date. Income and expense items are translated at average rates of exchange for the year, which approximate actual exchange rates. Exchange differences arising, if any, are recognised in the foreign currency translation reserve, and recognised in the income statement on disposal of the foreign operation.

Goodwill, fair value adjustments, assets and liabilities arising on the acquisition of a foreign operation are translated at exchange rates prevailing at the reporting date.

d) Revenue recognition

Sale of goods

Revenue is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the Consolidated Entity has transferred to the buyer the significant risks and rewards of ownership of the goods.

Contract revenue

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a contract can be estimated reliably, contract revenue is recognised in the income statement in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to work performed. When the outcome of a contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in the income statement.

e) Finance income, dividend income, finance costs and dividends paid

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.

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

Finance costs and dividends paid are classified as expenses or as distributions of profit 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.

f) Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are initially recognised at fair value plus, for instruments not at fair value through profit and loss, any directly attributable transaction costs. Subsequent to their initial recognition, non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Consolidated Entity becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Consolidated Entity's contractual rights to the cash flows from the financial assets expire or if the Consolidated Entity transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Purchases and sales of financial assets are accounted for at trade date being the date the Consolidated Entity commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Consolidated Entity's obligations specified in the contract are discharged, expire or are cancelled.

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

Loans and receivables

Trade receivables, loans and other receivables are recorded at amortised cost less identified impairment.

Share capital

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.

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Payables

Trade payables and other accounts payable are measured at cost.

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.

1. Summary of accounting policies continued**f) Financial instruments** continued**Derivative financial instruments**

The Consolidated Entity enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including forward foreign exchange contracts, options, collars, and interest rate swaps, options and collars. Further details of derivative financial instruments are disclosed in note 26 to the consolidated financial statements. A derivative financial instrument is recognised if the Consolidated Entity becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets are accounted for at trade date being the date the Consolidated Entity commits itself to purchase or sell the instrument.

The Consolidated Entity designates certain derivatives as hedges of highly probable forecast transactions (cash flow hedges). Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in the income statement immediately unless the derivative is designated and considered an effective cash flow hedging instrument in which case it is initially recognised in equity. The subsequent timing of the recognition of the hedging instrument in the income statement depends on the nature of the hedge relationship.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred and recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts deferred and recognised in equity are subsequently transferred to the income statement in the periods when the impact of the hedged item is recognised in the income statement. When the forecast transaction that is hedged (purchases of inventory) 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 (inventory).

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. Any cumulative gain or loss deferred and recognised in equity at that time is retained in equity and is transferred to the income statement when the result of the forecast transaction is ultimately recognised in the income statement. However, when a forecast transaction is no longer expected to occur, or hedge ineffectiveness is identified, the cumulative gain or loss deferred and recognised in equity is recognised immediately in the income statement.

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.

g) Income tax**Current and deferred tax expense**

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

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 tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

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.

Tax consolidation

The Company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. GUD Holdings Limited is the head entity in the tax-consolidated group.

1. Summary of accounting policies continued

h) 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 to sell 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 is recognised in the income statement immediately. An impairment of goodwill is not subsequently reversed.

i) Goods and services tax

Revenues, expenses and non-financial assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables that are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

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

j) 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.

k) Property, plant and equipment

Property, plant and equipment and leasehold improvements are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

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

l) Leased assets

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

Subsequent to their initial recognition, finance leased assets are amortised over their estimated useful life as described in (k) above.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

1. Summary of accounting policies continued

m) Intangible assets

Product development costs

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

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

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

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

Goodwill

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

Brand names and trademarks

Acquired brand names and trademarks are recorded at cost. The carrying value is tested annually for impairment as part of the annual testing of cash-generating units (see note 12).

Other intangible assets

Other intangible assets that are acquired by the Consolidated Entity, which have finite lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

The carrying value is tested for impairment as part of the annual testing of cash-generating units (see note 12).

Amortisation is recognised in the income statement over the following number of years:

Patents, licences and distribution rights	3 to 5 years
Customer relationships	5 years
Software	5 years

n) 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.

Provisions made in respect of employee benefits that 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 Consolidated Entity in respect of services provided by employees up to reporting date.

Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when incurred.

Share-based payment transactions

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 equity. 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. Refer to note 21 for further details.

1. Summary of accounting policies continued

o) Provisions

Provisions are recognised when, as a result of a past event, the Consolidated Entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

Onerous contracts

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

Restructuring

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

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

Warranties

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

p) New standards and interpretations adopted in the year

The Consolidated Entity has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial adoption of 1 July 2013.

- 1) Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to AASB 7)
- 2) AASB 10 Consolidated Financial Statements (2011)
- 3) AASB 13 Fair Value Measurement
- 4) AASB 119 Employee Benefits (2011)
- 5) Recoverable Amount Disclosures for Non-Financial Assets (Amendments to AASB 136) (2013)

q) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2014, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Consolidated Entity are set out below. The Consolidated Entity does not plan to adopt these standards early.

IFRS 9 Financial Instruments (2010), IFRS 9 Financial Instruments (2009)

IFRS 9 (2010) and (2009) are effective for annual periods beginning on or after 1 January 2015, with early adoption permitted. The adoption of these standards is expected to have an impact on the Consolidated Entity's financial assets, but no impact on the Consolidated Entity's financial liabilities.

2. Profit from operations

	2014	2013
	\$'000	\$'000
a. Revenue		
Sale of goods	591,640	596,452
Total revenue	591,640	596,452
b. Other income		
Other	521	386
	521	386
c. Expenses by nature		
Profit before income tax has been arrived at after charging the following expenses:		
Write-down/(write-back) to value of inventory obsolescence provision	397	424
Loss/(gain) on sale of plant and equipment	808	199
Operating lease rental expense: Minimum lease payments	15,891	16,053
Net foreign exchange (gain)/loss	(4,460)	311
Employee benefits:		
Wages and salaries (including on-costs)	98,304	97,108
Contributions to defined contribution plans	6,621	6,842
Movements in provisions for employee benefits	(1,101)	1,736
Equity settled share-based payment expense	969	380
Depreciation and amortisation:		
Depreciation of plant and equipment	7,924	7,626
Depreciation of leased plant and equipment	23	61
Amortisation of product development costs	4,557	4,578
Amortisation of other intangibles	1,879	1,860
Total depreciation and amortisation	14,383	14,125
Product development and sourcing costs:		
Expensed directly to income statement	9,790	8,628
Amortisation of product development costs	4,557	4,578
Total product development, sourcing and amortisation	14,347	13,206
Restructuring and impairment costs:		
Cost of goods sold		
Impairment of fixed assets	4,438	2,209
Impairment of inventory	1,615	224
Other restructuring costs	8,770	3,409
Total restructuring costs in cost of goods sold	14,823	5,842
Product development and sourcing		
Impairment of product development	1,512	-
Logistics expenses and outward freight		
Other restructuring costs	1,158	-
Administration		
Other restructuring costs	1,493	-
Other expenses		
Impairment of brand names	-	1,811
Total restructuring and impairment costs	18,986	7,653
Finance costs:		
Interest income	(82)	(197)
Interest expense	6,510	6,609
Revaluation of interest rate swaps	(47)	(1,178)
Net finance costs	6,381	5,234

The ineffective portion of cash flow hedges that is recognised in the income statement is nil (2013: nil).

3. Taxation

	2014 \$'000	2013 \$'000
a. Income tax expense recognised in the income statement		
Prima facie income tax expense calculated at 30% (2013: 30%) on profit	7,103	13,058
Increase/(decrease) in income tax expense due to:		
Non-deductible expenditure	551	938
(Over)/under provision of income tax in prior year	42	(444)
Research and development incentives	(1,002)	(948)
Non-assessable income	(701)	(540)
Income tax expense	5,993	12,064
Tax expense comprises:		
Current tax expense	9,665	11,519
Adjustments recognised in the current year in relation to the current tax of prior years	42	(444)
Deferred tax expense relating to the origination and reversal of temporary differences	(3,714)	989
Total tax expense	5,993	12,064

	2014 – \$'000			2013 – \$'000		
	Before tax	Tax (expense)/ benefit	Net of tax	Before tax	Tax (expense)/ benefit	Net of tax
b. Income tax expense recognised in other comprehensive income						
Exchange differences on translating results of foreign operations	(510)	–	(510)	1,520	–	1,520
Fair value adjustments transferred to cash flow hedge reserve	1,663	(499)	1,164	6,144	(1,836)	4,308
Net change in fair value of cash flow hedges transferred to inventory	(12,074)	3,614	(8,460)	(2,075)	618	(1,457)
	(10,921)	3,115	(7,806)	5,589	(1,218)	4,371

Tax consolidation

The Company and its wholly-owned Australian resident subsidiaries have formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is GUD Holdings Limited. The members of the tax-consolidated group are identified in note 19.

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.

3. Taxation continued

Taxable and deductible temporary differences arise from the following:

	Opening balance \$'000	Recognised in income statement \$'000	Recognised in equity \$'000	Closing balance \$'000
2014				
Deferred tax assets:				
Employee benefit provisions	5,027	(26)	–	5,001
Warranty provisions	642	(41)	–	601
Inventory	941	140	–	1,081
Accrued expenses	187	(37)	–	150
Cash flow hedge reserve	–	–	1,159	1,159
Restructuring provisions	–	3,574	–	3,574
Other	2,208	(608)	–	1,600
	9,005	3,002	1,159	13,166
Set-off of tax	(7,718)	848	–	(6,870)
	1,287	3,850	1,159	6,296
Deferred tax liabilities:				
Property, plant and equipment	1,524	(259)	–	1,265
Capitalised product development	3,553	(454)	–	3,099
Other intangible assets	2,942	1	–	2,943
Cash flow hedge reserve	1,956	–	(1,956)	–
	9,975	(712)	(1,956)	7,307
Set-off of tax	(7,718)	848	–	(6,870)
	2,257	136	(1,956)	437
Net deferred tax assets/(liabilities)				5,859
2013				
Deferred tax assets:				
Employee benefit provisions	4,860	167	–	5,027
Warranty provisions	665	(23)	–	642
Inventory	1,017	(76)	–	941
Accrued expenses	573	(386)	–	187
FX option premium	511	(511)	–	–
Other	2,279	(71)	–	2,208
	9,905	(900)	–	9,005
Set-off of tax	(8,364)	646	–	(7,718)
	1,541	(254)	–	1,287
Deferred tax liabilities:				
Property, plant and equipment	1,393	131	–	1,524
Capitalised product development	3,586	(33)	–	3,553
Other intangible assets	2,951	(9)	–	2,942
Cash flow hedge reserve	738	–	1,218	1,956
	8,668	89	1,218	9,975
Set-off of tax	(8,364)	646	–	(7,718)
	304	735	1,218	2,257
Net deferred tax assets/(liabilities)				(970)

3. Taxation continued

	2014 \$'000	2013 \$'000
c. Deferred tax balances		
Deferred tax assets	6,296	1,287
Deferred tax liabilities	(437)	(2,257)
Net deferred tax (liabilities)/assets	5,859	(970)

Deferred tax assets/liabilities is comprised of the estimated future benefit/liability at the applicable rate.

4. Segment information

Segment reporting is presented in respect of the Consolidated Entity's business and geographical segments. The primary format business segments is reported based on the way information is reviewed by the Consolidated Entity's Managing Director and other senior management.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate expenses, interest and tax, corporate borrowings, and deferred tax balances.

Business segments

During the year, the combined reporting of the Consumer Products and Industrial Products divisions ceased. Therefore Sunbeam and Oates (which used to be within the Consumer Products division) and Dexion and Lock Focus (which used to be in the Industrial Products division) are now all being reported as separate business segments.

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

Sunbeam

Importer and distributor of small electrical appliances.

Oates

Importer and distributor of cleaning products to retail and commercial customers.

Automotive (Ryco, Wesfil, Goss)

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

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.

Dexion

Manufacturer and provider of industrial storage and automation solutions.

Lock Focus

Manufacturer of disc tumbler locks for furniture, doors and safe locking systems.

Notes:

Segment result excludes finance costs, interest revenue and income tax expense.

The Consolidated Entity operates primarily in one geographical segment: Australasia.

4. Segment information continued

For the year ended 30 June 2014

Business segments	Sunbeam \$'000	Oates \$'000	Automotive \$'000	Davey \$'000	Dexion \$'000	Lock Focus \$'000	Unallocated \$'000	Total \$'000
Total segment revenue (external)	117,182	66,956	95,355	102,100	199,536	10,511	–	591,640
Underlying EBITDA pre-restructuring and impairment costs	8,378	11,886	30,860	10,549	6,912	1,501	(6,659)	63,427
Less: Depreciation	(2,640)	(676)	(601)	(1,612)	(1,779)	(637)	(2)	(7,947)
Less: Amortisation of intangibles	(4,223)	(84)	–	(102)	(2,027)	–	–	(6,436)
Underlying EBIT pre-restructuring and impairment costs	1,515	11,126	30,259	8,835	3,106	864	(6,661)	49,044
Restructuring and impairment costs	(2,140)	(255)	(312)	(185)	(16,094)	–	–	(18,986)
Segment result (EBIT)	(625)	10,871	29,947	8,650	(12,988)	864	(6,661)	30,058
Net finance costs								(6,381)
Profit before income tax								23,677
Income tax expense								(5,993)
Profit for the period								17,684
Segment assets	76,700	36,015	44,496	94,151	173,954	10,866	6,838	443,020
Segment liabilities	16,442	10,047	14,668	16,939	62,282	1,635	111,732	233,745
Segment capital expenditure	4,806	713	418	1,946	7,827	513	153	16,376

For the year ended 30 June 2013

Business segments	Sunbeam \$'000	Oates \$'000	Automotive \$'000	Davey \$'000	Dexion \$'000	Lock Focus \$'000	Unallocated \$'000	Total \$'000
Total segment revenue (external)	128,580	65,661	87,312	100,940	204,019	9,940	–	596,452
Underlying EBITDA pre-restructuring and impairment costs	15,715	11,543	28,499	10,103	10,048	1,555	(6,923)	70,540
Less: Depreciation	(2,394)	(628)	(580)	(1,570)	(1,786)	(727)	(2)	(7,687)
Less: Amortisation of intangibles	(4,241)	(68)	–	(203)	(1,926)	–	–	(6,438)
Underlying EBIT pre-restructuring and impairment costs	9,080	10,847	27,919	8,330	6,336	828	(6,925)	56,415
Restructuring and impairment costs	–	–	–	–	(7,653)	–	–	(7,653)
Segment result (EBIT)	9,080	10,847	27,919	8,330	(1,317)	828	(6,925)	48,762
Net finance costs								(5,234)
Profit before income tax								43,528
Income tax expense								(12,064)
Profit for the period								31,464
Segment assets	79,913	37,208	39,129	91,354	160,829	10,737	2,528	421,698
Segment liabilities	12,377	8,432	11,357	15,475	46,597	1,504	86,853	182,595
Segment capital expenditure	6,747	730	1,173	1,902	3,529	369	1	14,451

5. Dividends

Recognised amounts

Fully paid ordinary shares	Cents per share	Total amount \$'000	Date of payment	Tax rate	Percentage franked
2014					
Final dividend in respect of the 2013 financial year	26	18,549	3 September 2013	30%	100%
Special cash dividend	10	7,134	3 September 2013	30%	100%
Interim dividend in respect of the 2014 financial year	18	12,823	6 March 2014	30%	100%
Total dividends		38,506			
2013					
Final dividend in respect of the 2012 financial year	35	24,781	3 September 2012	30%	100%
Special cash dividend	35	24,781	16 August 2012	30%	100%
Interim dividend in respect of the 2013 financial year	26	18,549	6 March 2013	30%	100%
Special cash dividend	10	7,134	6 March 2013	30%	100%
Total dividends		75,245			

Unrecognised amounts

Fully paid ordinary shares	Cents per share	Total amount \$'000	Date of payment	Tax rate	Percentage franked
2014					
Final dividend in respect of the 2014 financial year	18	12,769	3 September 2014	30%	100%
				GUD Holdings Limited	
				2014	2013
				\$'000	\$'000
Dividend franking account					
30% (2013: 30%) franking credits available to shareholders of GUD Holdings Limited for subsequent financial years				8,331	16,492

The above 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.

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

6. Cash and cash equivalents

	2014	2013
	\$'000	\$'000
Current		
Cash and cash equivalents	23,301	24,401

7. Trade and other receivables

	2014 \$'000	2013 \$'000
Current		
Trade receivables ¹	80,852	69,017
Less: Allowance for doubtful debts ²	(807)	(857)
Net trade receivables	80,045	68,160
Accrued revenue	11,827	7,258
Other receivables	11,827	7,258
	91,872	75,418

1 The Group's policy is that cash received at the bank on the first day after the month end is included in the cash at bank figure and set-off against trade receivables in order to take into account cash in transit. This amounted to \$8.7 million at 30 June 2014 (2013: \$7.9 million).

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

	2014 \$'000	2013 \$'000
Movement in allowance for doubtful debts		
Balance at the beginning of the year	(857)	(809)
Doubtful debts recognised	(145)	(275)
Amounts written off as uncollectible	195	227
Balance at the end of the year	(807)	(857)

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.

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.

2014 Ageing of trade receivables	Gross \$'000	Impairment \$'000	Net \$'000
Not past due	59,437	(190)	59,247
Past due 1 – 60 days	16,633	(80)	16,553
Past due 61 – 120 days	2,564	(81)	2,483
Past due 121 – 365 days	1,862	(262)	1,600
Past due more than one year	356	(194)	162
Total trade receivables	80,852	(807)	80,045

2013 Ageing of trade receivables	Gross \$'000	Impairment \$'000	Net \$'000
Not past due	48,965	(167)	48,798
Past due 1 – 60 days	16,575	(115)	16,460
Past due 61 – 120 days	2,058	(67)	1,991
Past due 121 – 365 days	1,108	(260)	848
Past due more than one year	311	(248)	63
Total trade receivables	69,017	(857)	68,160

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

8. Other financial assets

	Note	2014 \$'000	2013 \$'000
a. Current			
Derivatives – Foreign currency forward contracts, options and collars		1	8,048
Other financial assets		1	8,048
b. Non-current			
Loans receivable – third parties		3,500	3,500
Derivatives – Foreign currency forward contracts		–	3
Derivatives – Interest rate swaps		17	44
		3,517	3,547

9. Other assets

	2014 \$'000	2013 \$'000
Current		
Prepayments	3,639	3,823
Other	3,389	2,201
	7,028	6,024

10. Inventories

	2014 \$'000	2013 \$'000
Current		
Raw materials and stores	17,275	16,790
Work in progress	2,228	3,912
Finished goods	91,978	77,555
Total inventory	111,481	98,257

Inventories disclosed above are net of the provision for obsolescence.

11. Property, plant and equipment

Aggregate depreciation and amortisation recognised as an expense is disclosed in note 2c.

	Equipment under finance lease at cost \$'000	Plant and equipment at cost \$'000	Total \$'000
Gross carrying amount			
Balance at 1 July 2012	607	72,592	73,199
Additions	–	9,390	9,390
Disposals	–	(5,436)	(5,436)
Foreign currency movements	–	1,354	1,354
Balance at 30 June 2013	607	77,900	78,507
Additions	–	12,135	12,135
Disposals	(507)	(4,880)	(5,387)
Foreign currency movements	–	(37)	(37)
Balance at 30 June 2014	100	85,118	85,218
Accumulated depreciation and amortisation			
Balance at 1 July 2012	(181)	(39,886)	(40,067)
Depreciation expense	(61)	(7,626)	(7,687)
Impairment due to restructuring	–	(2,209)	(2,209)
Disposals	–	5,200	5,200
Foreign currency movements	–	(535)	(535)
Balance at 30 June 2013	(242)	(45,056)	(45,298)
Depreciation expense	(23)	(7,924)	(7,947)
Impairment due to restructuring	–	(4,438)	(4,438)
Disposals	253	3,447	3,700
Foreign currency movements	–	(104)	(104)
Balance at 30 June 2014	(12)	(54,075)	(54,087)
Carrying amount			
As at 30 June 2013	365	32,844	33,209
As at 30 June 2014	88	31,043	31,131

12. Goodwill

	2014 \$'000	2013 \$'000
Gross carrying amount		
Balance at the beginning of the year	106,580	106,759
Reclassification from goodwill to distribution rights	–	(463)
Net foreign currency difference arising on translation of financial statements of foreign operations	418	284
Balance at the end of the year	106,998	106,580

All intangible assets with indefinite lives (goodwill and brand names) have been allocated for impairment testing purposes to cash-generating units (or groups of units). Refer below for the allocation of goodwill and brand names. The Directors have assessed that no impairment charge is required in relation to goodwill for the year ended 30 June 2014. Additional information relating to brand names is included in note 13.

	2014 – \$'000		
Allocation of goodwill and brand names	Goodwill	Brand names	Total assets with indefinite lives
Automotive	1,497	1,000	2,497
Lock Focus	5,300	–	5,300
Sunbeam	–	25,282	25,282
Oates	5,166	8,900	14,066
Davey	35,526	3,215	38,741
Dexion	59,509	10,278	69,787
	106,998	48,675	155,673

	2013 – \$'000		
Allocation of goodwill and brand names	Goodwill	Brand names	Total assets with indefinite lives
Automotive	1,497	1,000	2,497
Lock Focus	5,300	–	5,300
Sunbeam	–	24,846	24,846
Oates	5,166	8,900	14,066
Davey	35,108	3,215	38,323
Dexion	59,509	10,091	69,600
	106,580	48,052	154,632

Each cash-generating unit's recoverable amount has been tested on the basis of its value in use. The value in use calculation uses assumptions including cash flow projections based on Board-approved budgets for the 2015 year and forecasts for a further four years, which are extrapolated in perpetuity using a long-term average growth rate consistent with the sectors in which the cash-generating units operate. The values assigned reflect past experience or, if appropriate, are consistent with external sources of information.

Sunbeam is both a cash-generating unit and a business segment. The pre-tax discount rate applied to Sunbeam cash flows was 14.29% (2013: 14.29%).

Oates is both a cash-generating unit and a business segment. The pre-tax discount rate applied to Oates cash flows was 14.29% (2013: 14.29%).

Davey is both a cash-generating unit and a business segment. The pre-tax discount rate applied to Davey cash flows was 14.29% (2013: 14.29%).

Dexion is both a cash-generating unit and a business segment. The pre-tax discount rate applied to the Dexion cash flows was 14.29% (2013: 14.29%).

12. Goodwill continued

The five-year cash flow projections are based on the 2015 year budget (2013: based on 2014 budget) and an ongoing growth rate of 3% is considered reasonable in light of past performance and is consistent with the sectors in which the cash-generating units operate.

Due to the trading performance of both Dexion and Sunbeam in the FY2014 year, a review of the asset carrying values against the net present value of future anticipated cash flows has been undertaken to consider if an impairment of intangible assets is required. A number of project and profit initiatives have been identified for both businesses and have been reflected in the anticipated cash flows.

Dexion has announced initiatives to wind down the Elite Built business and to move manufacturing of the Industrial business from Kings Park to existing plants in Malaysia and China. In addition, Dexion has also developed profit improvement plan initiatives for the business after detailed external and internal reviews over the past six months. Dexion's Board-approved budget for 2015 incorporates an underlying EBIT uplift of \$9.2 million from those initiatives that are also expected to carry over to future years. The value of Dexion's anticipated future cash flows exceeds the carrying value of assets at the year end by \$27 million. In the absence of any other potential influences, Dexion will also need to achieve 73% of the budgeted uplifts to avoid scope for impairment of its assets. Management also expects the level of profit improvement will increase in the following years as profit improvement actions fully mature. At this time, the Directors believe that the Dexion profit improvements are achievable.

In the case of Sunbeam, profit improvement plan initiatives have been prepared after detailed external and internal reviews over the past six months. Sunbeam's Board-approved budget for 2015 incorporates an underlying EBIT uplift of \$4.6 million from the initiatives, which is also expected to carry over to future years. The value of Sunbeam's anticipated future cash flows exceeds the carrying value of assets at the year end by \$6 million. In the absence of any other potential influences, Sunbeam will also need to achieve 73% of the budgeted uplifts to avoid scope for impairment of its assets. Once again, Management also expects the level of profit improvement will increase in the following years as profit improvement actions fully mature and are working towards a run rate of \$10 million once fully implemented. At this time, the Directors believe that the Sunbeam profit improvements are achievable.

13. Other intangible assets

	Product development costs \$'000	Brand names, business names and trademarks \$'000	Patents, licences and distribution rights \$'000	Software \$'000	Customer relationships \$'000	Total \$'000
Gross carrying amount						
Balance at 1 July 2012	25,194	49,339	674	5,930	1,452	82,589
Additions from internal developments	4,542	–	–	–	–	4,542
Additions	–	–	112	407	–	519
Reclassification from goodwill	–	–	463	–	–	463
Disposals	(3,498)	–	(5)	–	–	(3,503)
Foreign currency movements	–	530	2	141	–	673
Balance at 30 June 2013	26,238	49,869	1,246	6,478	1,452	85,283
Additions from internal developments	3,898	–	–	–	–	3,898
Additions	–	–	39	304	–	343
Disposals	(4,566)	–	(14)	–	(3)	(4,583)
Foreign currency movements	–	762	–	86	–	848
Balance at 30 June 2014	25,570	50,631	1,271	6,868	1,449	85,789
Accumulated amortisation						
Balance at 1 July 2012	(13,917)	–	(608)	(1,520)	(532)	(16,577)
Amortisation expense	(4,578)	–	(266)	(1,306)	(288)	(6,438)
Disposals	3,381	–	1	–	–	3,382
Impairment	–	(1,811)	–	–	–	(1,811)
Foreign currency movements	–	(6)	2	(19)	–	(23)
Balance at 30 June 2013	(15,114)	(1,817)	(871)	(2,845)	(820)	(21,467)
Amortisation expense	(4,557)	–	(248)	(1,343)	(288)	(6,436)
Disposals	4,490	–	14	–	–	4,504
Impairment ¹	(1,512)	–	–	–	–	(1,512)
Foreign currency movements	–	(139)	–	(72)	–	(211)
Balance at 30 June 2014	(16,693)	(1,956)	(1,105)	(4,260)	(1,108)	(25,122)
Carrying amount						
As at 30 June 2013	11,124	48,052	375	3,633	632	63,816
As at 30 June 2014	8,877	48,675	166	2,608	341	60,667

Amortisation is recognised as an expense and disclosed in note 2c.

¹ In the 2014 year an impairment charge of \$1,512,000 was taken to write down some product development costs in Sunbeam. This impairment is in the 'Product development and sourcing' line in the income statement.

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

Refer to note 12 for details relating to the allocation of brand names to cash-generating units and impairment testing of assets with indefinite lives.

14. Trade and other payables

	2014	2013
	\$'000	\$'000
a. Current		
Accrued expenses	19,626	15,523
Trade payables ¹	60,092	51,823
Trade payables and accrued expenses	79,718	67,346
Derivatives – Foreign currency forward contracts and collars	4,295	4
Derivatives – Interest rate swaps at fair value	13	46
Trade and other payables	84,026	67,396
b. Non-current		
Derivatives – Interest rate swaps at fair value	312	–
Other financial liabilities	312	–

1 No interest is incurred on trade payables.

15. Borrowings**Bank overdrafts**

The unsecured bank overdraft facilities are subject to annual review. As part of these facilities, GUD Holdings Limited and all of its subsidiaries have entered into a Deed of Cross Guarantee. GUD Holdings Limited has a contingent liability to the extent of the bank overdraft debt incurred by its controlled entities. Interest on bank overdrafts is charged at prevailing market rates. The weighted average interest rate for all overdrafts as at 30 June 2014 is 4.94% (2013: 4.83%).

Unsecured bank loans

The main unsecured bank loan was renewed in October 2013 in the form of a Common Terms Deed. The total facility was reduced from \$180 million to \$150 million consisting of a three-year tranche of \$50 million and a five-year tranche of \$100 million. Both tranches are subject to variable interest rates, which as at 30 June 2014 are 4.45% and 4.92% respectively.

The Common Terms Deed is for a total of \$150 million with maturities in the periods as follows:

	Amount	Year ended
	\$ million	30 June
Tranche A – 3-year facility	50	2017
Tranche B – 5-year facility	100	2019

There are also unsecured facilities in Malaysia and China of \$19 million, of which \$15 million is renewed annually and \$4 million matures in 2020.

15. Borrowings continued

Money market facility

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

	Note	2014 \$'000	2013 \$'000
a. Current			
Unsecured bank overdrafts		–	–
Unsecured bank loans		8,862	8,017
Secured finance lease liabilities ¹	24	25	301
		8,887	8,318
b. Non-current			
Unsecured bank loans		112,825	80,905
Secured finance lease liabilities ¹	24	32	70
		112,857	80,975
c. Financing facilities			
Total facilities available:			
Unsecured bank overdrafts		5,315	5,238
Unsecured bank loans		168,893	195,170
Unsecured money market facilities		15,000	15,000
		189,208	215,408
Facilities used at balance date:			
Unsecured bank overdrafts		–	–
Unsecured bank loans		121,687	88,922
Unsecured money market facilities		–	–
		121,687	88,922
Facilities not utilised at balance date:			
Unsecured bank overdrafts		5,315	5,238
Unsecured bank loans		47,206	106,248
Unsecured money market facilities		15,000	15,000
		67,521	126,486

¹ Secured by the assets leased (see note 11).

16. Provisions

	2014	2013
	\$'000	\$'000
a. Current		
Employee benefits ¹	13,699	14,351
Restructuring	8,023	1,023
Warranty	2,028	2,173
	23,750	17,547
b. Non-current		
Employee benefits ¹	3,128	3,577
Restructuring	196	894
	3,324	4,471

¹ Employee provisions include on-costs.

	2014	2013
	\$'000	\$'000
Employee benefits		
Aggregate liability for employee benefits, including on-costs, recognised and included in the consolidated financial statements is as follows:		
Current	13,699	14,351
Non-current	3,128	3,577
	16,827	17,928
Accrued wages and salaries ¹	692	2,050
	17,519	19,978

¹ Accrued wages and salaries are included in accrued expenses in note 14.

	2014	2013
	\$'000	\$'000
Restructuring provisions		
Carrying amount at beginning of year	1,917	2,365
Provisions recognised	11,421	3,409
Payments made during the year	(5,195)	(3,916)
Net foreign currency difference arising on translation of financial statements of foreign operations	76	59
Carrying amount at end of year	8,219	1,917

The payments made against the provision for restructuring represents the costs of redundancies and closures of manufacturing facilities. The balance represents the present value of the Directors' best estimate of the costs required to complete the restructure.

	2014	2013
	\$'000	\$'000
Warranty provisions		
Carrying amount at beginning of year	2,173	2,208
Provisions recognised	8,583	9,480
Payments made during the year	(8,760)	(9,538)
Net foreign currency difference arising on translation of financial statements of foreign operations	32	23
Carrying amount at end of year	2,028	2,173

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

17. Share capital

	2014 \$'000	2014 No. '000	2013 \$'000	2013 No. '000
Fully paid ordinary shares				
70,939,492 fully paid ordinary shares (2013: 71,341,319)	184,629	70,939	186,798	71,341
Balance at the beginning of the year	186,798	71,341	182,324	70,803
Dividend Reinvestment Plan	–	–	4,474	538
Share buy back	(2,169)	(402)	–	–
Balance at the end of the year	184,629	70,939	186,798	71,341

During the year 401,827 shares were bought back on market and cancelled by the Consolidated Entity.

The Dividend Reinvestment Plan has been suspended from the 2013 financial year.

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

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

18. Reserves

Foreign currency translation reserve

Exchange differences relating to the translation of the functional currency of the Consolidated Entity's foreign subsidiaries into Australian dollars are brought to account by entries made directly to the foreign currency translation reserve.

Cash flow hedge reserve

The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to underlying hedged transactions that have not yet been recognised, net of tax.

Equity compensation reserve

The equity compensation reserve contains the value of equity benefits provided to employees as part of their remuneration.

19. Investment in subsidiaries

		Percentage ownership interest	
	Country of incorporation	2014	2013
Parent entity			
GUD Holdings Limited ²	Australia		
Subsidiaries			
Appliance and Homewares International Pty Ltd ^{1,3}	Australia	100	100
Carsmart Workshop Pty Ltd ¹	Australia	100	100
Davey Water Products Pty Ltd ^{1,3}	Australia	100	100
Dexion Limited ^{1,3}	Australia	100	100
Dexion (Australia) Pty Limited ^{1,3}	Australia	100	100
Dexion (Shanghai) Logistics Equipment Co. Ltd	Peoples' Republic of China	100	100
Dexion Asia Limited	Hong Kong	100	100
Dexion Asia Sdn Bhd	Malaysia	100	100
Dexion Asia Services Sdn Bhd	Malaysia	100	–
Dexion Commercial (Australia) Pty Limited ^{1,3}	Australia	100	100
Dexion Integrated Systems Pty Limited ^{1,3}	Australia	100	100
ED Oates Pty Ltd ^{1,3}	Australia	100	100
Goss Products Pty Ltd ^{1,3}	Australia	100	100
GUD (HK) Limited	Hong Kong	100	100
GUD Automotive Pty Ltd ^{1,3}	Australia	100	100
GUD Europe Limited	United Kingdom	100	100
GUD NZ Holdings Limited	New Zealand	100	100
Lock Focus Pty Ltd ^{1,3}	Australia	100	100
Monarch Pool Systems Pty Ltd ^{1,3}	Australia	100	100
Monarch Pool Systems Europe S.A.S.	France	100	100
Monarch Pool Systems Iberica S.L.	Spain	100	100
Sunbeam Corporation Limited ^{1,3}	Australia	100	100
Wesfil Australia Pty Ltd ^{1,3}	Australia	100	100

All overseas subsidiaries except for GUD (HK) Limited, Monarch Pool Systems Europe and Monarch Pool Systems Iberica are audited by an associate firm of KPMG Australia. All entities carry on business only in the country of incorporation.

1 Member of the Australian tax-consolidated group.

2 GUD Holdings Limited is the head entity within the Australian tax-consolidated group.

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, the 'closed group'.

19. Investment in subsidiaries continued

Set out below are the financial statements for the group entities which form the 'closed group' under the Deed of Cross Guarantee:

	2014 \$'000	2013 \$'000
Income statement		
Revenue	492,593	495,336
Finance costs	(4,369)	(3,369)
Other expenses	(469,603)	(449,648)
Profit before income tax	18,621	42,319
Income tax expense	(4,980)	(11,575)
Profit for the year	13,641	30,744
Retained earnings at the beginning of the year	40,312	84,813
Dividends paid	(38,506)	(75,245)
Retained earnings at the end of the year	15,447	40,312
Balance sheet		
Current assets		
Cash and cash equivalents	11,924	14,902
Trade and other receivables	66,011	57,931
Current tax receivables	544	–
Other assets	6,285	11,961
Inventories	90,207	75,890
Total current assets	174,971	160,684
Non-current assets		
Other financial assets	38,956	37,286
Property, plant and equipment	22,123	25,222
Deferred tax assets	4,589	–
Goodwill	75,188	75,651
Other intangible assets	52,831	56,206
Total non-current assets	193,687	194,365
Total assets	368,658	355,049
Current liabilities		
Trade and other payables	62,696	48,310
Borrowings	25	314
Current tax payables	–	1,492
Provisions	26,282	16,034
Total current liabilities	89,003	66,150
Non-current liabilities		
Borrowings	77,482	50,834
Other financial liabilities	312	–
Deferred tax liabilities	–	1,932
Provisions	3,128	4,153
Total non-current liabilities	80,922	56,919
Total liabilities	169,925	123,069
Net assets	198,733	231,980
Share capital	184,629	186,798
Reserves	(1,343)	4,870
Retained earnings	15,447	40,312
Total equity	198,733	231,980

20. Superannuation commitments

The Consolidated Entity contributes to a number of defined contribution superannuation funds (the accumulating benefit type) for which no actuarial assessments are required to be made and which were established to provide benefits for employees or their dependants on retirement, resignation, disablement or death. Benefits are provided in the form of lump sum payments subject to applicable preservation rules. The Consolidated Entity contributes a percentage of individual employees' gross income and employees may make additional contributions on a voluntary basis. The Consolidated Entity has no further obligations beyond the payment of the contributions.

21. Key management personnel (including Non-Executive Directors) compensation and equity holdings

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

- R M Herron (Chairman, Non-Executive)
- P A F Hay (Non-Executive)
- M G Smith (Non-Executive)
- G A Billings (Non-Executive)
- D D Robinson (Non-Executive)
- J P Ling (Managing Director) (appointed on 1 August 2013)
- I A Campbell (Managing Director) (retired on 31 July 2013)
- M A Fraser (Chief Financial Officer)
- D Jackson (Chief Executive – Sunbeam Corporation Ltd – Australia) (resigned on 31 March 2014)
- K Hope (Chief Executive – Sunbeam Corporation Ltd – Australia) (appointed on 6 December 2013)
- D Birch (Chief Executive – E D Oates Pty Ltd)
- R Pattison (Chief Executive – GUD Automotive Pty Ltd)
- D Worley (Chief Executive – Davey Water Products Pty Ltd) (appointed on 2 June 2014)
- C Andersen (Chief Executive – Davey Water Products Pty Ltd) (resigned on 31 August 2014)
- T Cooper (Managing Director – Wesfil Australia Pty Ltd)
- P Farmakis (Chief Executive – Dexion Limited) (resigned on 30 August 2013)
- P O'Keefe (Chief Executive – Dexion Limited) (appointed on 2 September 2013)

Key management personnel compensation policy

The compensation policy and disclosure of compensation relating to key management personnel is detailed within the Remuneration Report contained in the Directors' Report.

Key management personnel compensation

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

	2014	2013
	\$	\$
Short-term employment benefits	5,249,250	5,158,746
Long-term benefits	26,807	53,363
Post-employment benefits	291,429	268,202
Retirement benefits	101,931	1,213,430
Share-based payments	332,679	182,338
	6,002,096	6,876,079

22. Auditors' remuneration

	2014 \$	2013 \$
Audit and review services:		
The auditor of GUD Holdings Limited		
– audit and review of financial reports	621,563	597,978
Other auditors:		
– audit and review of financial reports	19,533	17,517
	641,096	615,495
Other services:		
The auditor of GUD Holdings Limited		
– in relation to other assurance, taxation and due diligence services	277,627	248,479
	277,627	248,479

23. Note to the cash flow statement

	2014 \$'000	2013 \$'000
Reconciliation of profit after income tax to net cash provided by operating activities		
Profit after income tax	17,684	31,464
Depreciation and amortisation	14,383	14,125
Impairment of brand names	–	1,811
Impairment of fixed assets	4,438	2,209
Impairment of inventory	1,615	–
Impairment of product development	1,512	–
Interest received	(82)	(197)
Interest paid	6,463	5,431
Loss on sale of property, plant and equipment	808	199
Changes in working capital assets and liabilities:		
Increase/(decrease) in net tax liability	(4,810)	(2,854)
(Increase)/decrease in inventories	(13,224)	3,913
(Increase)/decrease in trade receivables	(11,885)	17,202
(Increase)/decrease in other assets	(5,573)	(4,279)
Increase/(decrease) in provisions	5,056	1,253
Increase/(decrease) in payables and derivatives	13,254	(18,803)
Net cash provided by/(used in) operating activities	29,639	51,474

24. Commitments for expenditure

	2014		2013
	\$'000		\$'000
Capital expenditure commitments			
Plant and equipment			
Contracted but not provided for and payable:			
Within 1 year	4,236		3,852
Between 1 and 5 years	–		–
Later than 5 years	–		–
	4,236		3,852
	2014	2014	2013
	Buildings	Other	Buildings
	\$'000	\$'000	\$'000
Non-cancellable operating lease expense commitments			
Future operating lease commitments not provided for in the consolidated financial statements and payable:			
Within 1 year	13,125	3,466	13,373
Between 1 and 5 years	22,630	4,098	25,280
Later than 5 years	4,971	–	3,828
	40,726	7,564	42,481
			10,890

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

	Note	2014	2013
		\$'000	\$'000
Finance lease payment commitments			
Plant and equipment			
Minimum future lease payments:			
Within 1 year		25	313
Between 1 and 5 years		32	68
Later than 5 years		–	–
Total finance lease commitment		57	381
Less: Future finance lease charges		–	(10)
Finance lease liability		57	371
Present value of minimum future lease payments:			
Within 1 year		25	301
Between 1 and 5 years		32	70
Later than 5 years		–	–
		57	371
Lease liabilities provided for in the consolidated financial statements:			
Current	15a	25	301
Non-current	15b	32	70
Total lease liability		57	371

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

25. Related parties

Directors

Details of Directors' compensation is disclosed in note 21 and the Remuneration Report.

Transactions with key management personnel and their related parties

The Consolidated Entity'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 2014, key management personnel held directly, indirectly or beneficially 158,103 ordinary shares (2013: 72,633) in the Consolidated Entity.

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 19.

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 Consolidated Entity'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 \$388,000 excluding GST (2013: \$377,000 excluding GST). The Consolidated Entity's policy is that related party lease arrangements are undertaken with commercial terms and conditions.

26. Financial instruments and financial risk management

a. Overview

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

- credit risk
- liquidity risk
- market risk

This note provides additional information about the Consolidated Entity'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.

b. Financial risk management objectives

The Consolidated Entity's Corporate Treasury function provides services to the business, coordinates access to domestic and international markets, and manages the financial risks relating to the operations of the Consolidated Entity.

The Consolidated Entity 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 Consolidated Entity'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 Consolidated Entity's activities expose it primarily to the financial risks associated with changes in foreign currency exchange rates and interest rates. The carrying value of financial assets and financial liabilities recognised in the accounts approximate their fair value with the exception of borrowings, which are recorded at their amortised cost.

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

26. Financial instruments and financial risk management continued

c. Credit risk

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

Trade and other receivables

The Consolidated Entity'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 60 day terms;
- the Consolidated Entity as a whole is not exposed in a material way to any single customer; however, there are significant customers with individual businesses in the retail, hardware and automotive aftermarket sectors;
- new customers are subjected to credit assessment by the specific business within the Consolidated Entity that they wish to transact with and are allocated credit limits that are managed according to the needs of the customer and the risk assessment of the relevant business;
- most businesses within the Consolidated Entity maintain credit insurance to lessen the credit risk;
- ageing of customer receivables is reviewed in detail each month by businesses within the Consolidated Entity and by the Company in an oversight capacity.

In order to manage credit risk, goods are sold subject to retention of title clauses and where considered appropriate registered under the Personal Properties Securities Act, so that in the event of non-payment, the Consolidated Entity may have a secured claim. The Consolidated Entity 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 disclosed in note 6, the total value of trade debtors and other receivables disclosed in note 7 and other financial assets disclosed in note 8. 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 Consolidated Entity pays when settlement occurs should the counterparty fail to pay the amount that it is committed to pay the Consolidated Entity. To address this risk the Consolidated Entity restricts its dealings to financial institutions with appropriate credit ratings.

d. Liquidity risk

Liquidity risk refers to the risk that the Consolidated Entity will not be able to meet its financial obligations as they fall due. The Consolidated Entity 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 cash flows of the Consolidated Entity on a daily 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.

26. Financial instruments and financial risk management continued

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
2014						
Financial liabilities						
Trade and other payables	84,338	84,338	84,026	312	–	–
Unsecured bank loans	121,687	143,230	15,593	5,771	119,668	2,198
Secured finance lease liabilities	57	57	25	32	–	–
	206,082	227,625	99,644	6,115	119,668	2,198
2013						
Financial liabilities						
Trade and other payables	67,396	67,396	67,396	–	–	–
Unsecured bank loans	88,922	95,827	13,017	58,682	24,128	–
Secured finance lease liabilities	371	371	301	70	–	–
	156,689	163,594	80,714	58,752	24,128	–

e. Market risk

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

The Consolidated Entity 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.

At 30 June 2014, the Consolidated Entity is exposed to \$9,927,000 (2013: \$10,392,000) of US\$ denominated net liabilities.

Foreign exchange risk management

The Consolidated Entity 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 Consolidated Entity'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 Consolidated Entity'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 Consolidated Entity'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 Consolidated Entity's commitments are rarely more than one year. At the reporting date financial instruments are recognised at their fair value, which are determined with reference to third party confirmations of financial instruments outstanding at the reporting date and are based on exit values.

26. Financial instruments and financial risk management continued

Foreign currency risk management analysis

Forward foreign exchange contracts

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

	Average exchange rate		Foreign currency		Contract value		Fair value	
	2014	2013	2014 FC'000	2013 FC'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Buy United States Dollars	0.8995	0.9793	90,062	85,645	100,127	85,575	(3,538)	7,833
Buy Chinese Renminbi	5.5135	5.9661	60,484	16,146	10,970	2,706	(742)	73
Buy European Euro	0.6877	0.7676	645	1,199	938	1,563	(3)	144
Buy Australian Dollars (NZ entities)	0.9228	0.8098	2,180	1,611	2,195	1,676	(11)	(66)
					114,230	91,520	(4,294)	7,984

Sensitivity analysis – foreign exchange AUD/USD		2014 \$'000	2013 \$'000
For every 1c decrease in AUD:USD rate, total exposures increase by:			
Income statement		(61)	16
Equity		(807)	(1,007)

Interest rate risk management

The Consolidated Entity 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 Consolidated Entity, 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 Consolidated Entity to swap floating rate borrowings into fixed rates. Maturities of swap contracts are principally between one and three years. The Consolidated Entity 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.

Under interest rate swap contracts, the Consolidated Entity agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. These contracts enable the Consolidated Entity 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 Consolidated Entity as at the reporting date to movements in interest rates and does not take into account the offsetting impact of any hedging in place. It is important to note that this interest rate sensitivity analysis assumes that all other economic variables remain constant. The information presented includes the type of sensitivity analysis used when reporting to the Board of Directors. The table illustrates the impact of a change in rates of 100 basis points, a level that management believes to be a reasonably possible movement.

Sensitivity analysis – interest rates		2014 \$'000	2013 \$'000
For every 100 basis points increase in interest rates:			
Income statement		–	–
Equity		(689)	(452)

26. Financial instruments and financial risk management continued

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

	Average contracted fixed interest rate		Notional principal amount		Fair value	
	2014 %	2013 %	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Outstanding floating for fixed contracts						
Less than 1 year	3.32	2.91	63,532	57,358	(13)	(46)
1 to 2 years	3.48	2.91	48,027	25,000	(52)	25
2 to 5 years	3.92	2.95	13,384	6,667	(243)	19
			124,943	89,025	(308)	(2)

f. Capital management

The Board's policy is to maintain a strong capital base for the Consolidated Entity. This policy is predicated on the need to continue to present the Consolidated Entity favourably to various stakeholders including investors, employees, banks, suppliers and customers. This enables the Consolidated Entity 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 Consolidated Entity.

The Consolidated Entity 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 Consolidated Entity has consistently achieved CVA returns in excess of its weighted average cost of capital resulting in positive shareholder returns.

The Consolidated Entity is not subject to any externally imposed capital requirements. The terms and the conditions of the main debt facilities contain two financial covenants: minimum interest cover and maximum debt to earnings. Both covenants have been satisfied during the 2013 and 2014 financial years.

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

g. Fair value hierarchy

The table 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 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).

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
For the year ended 30 June 2014				
Derivatives – Foreign currency forward contracts	–	(4,294)	–	(4,294)
Derivatives – Interest rate swaps at fair value	–	(308)	–	(308)
	–	(4,602)	–	(4,602)
For the year ended 30 June 2013				
Derivatives – Foreign currency forward contracts	–	8,047	–	8,047
Derivatives – Interest rate swaps at fair value	–	(2)	–	(2)
	–	8,045	–	8,045

There have been no transfers between the fair value hierarchy levels from the prior year to current year.

27. Parent entity disclosures

As at and throughout the financial year ending 30 June 2014, the parent company of the Consolidated Entity was GUD Holdings Limited.

	GUD Holdings Limited	
	2014	2013
	\$'000	\$'000
Results of the parent entity		
Profit for the period	26,871	35,391
Other comprehensive income	(245)	22
Total comprehensive income for the period	26,626	35,413
Financial position of the parent entity at the year end		
Current assets	32,576	23,474
Total assets	308,112	297,219
Current liabilities	4,689	8,429
Total liabilities	83,054	59,461
Net assets	225,058	237,758
Total equity of the parent entity comprising of:		
Share capital	184,629	186,798
Retained earnings	39,303	50,938
Other reserves	1,126	22
Total equity	225,058	237,758
Parent entity contingencies		
Contingent liabilities	86,871	63,608

The parent entity is party to two guarantees relating to subsidiaries. The bank borrowing facility described in note 15 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 19. 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 2014.

Capital commitments

The parent entity does not have any capital commitments for the year ending 30 June 2014 (2013: nil).

28. Earnings per share

	2014	2013
	\$'000	\$'000
Profit for the period	17,684	31,464
Add back: restructuring and impairment costs	18,986	7,653
Tax effect on above items	(5,665)	(1,707)
Underlying profit for the period	31,005	37,410
	Number	Number
Weighted average number of shares used as the denominator for basic earnings per share – ordinary shares	71,218,295	71,245,535
Effect of performance rights granted	525,517	205,812
Weighted average number of shares used as the denominator for diluted earnings per share – ordinary shares	71,743,812	71,451,347
	Cents per share	Cents per share
Earnings per share:		
Basic earnings per share	24.8	44.2
Diluted earnings per share	24.6	44.0
	Cents per share	Cents per share
Underlying earnings per share:		
Basic underlying earnings per share	43.5	52.5
Diluted underlying earnings per share	43.2	52.4

29. Contingent liabilities

The Consolidated Entity had no material contingent liabilities at 30 June 2014 (2013: nil).

30. Subsequent events

Other than the final dividend for the year being declared as outlined in note 5, no matters or circumstances have arisen since the end of the financial year that have significantly affected or may significantly affect the operating results or state of affairs of the Consolidated Entity.

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 Consolidated Entity as at 30 June 2014 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 Consolidated Entity 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 19 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 note 1 to 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 2014.

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

On behalf of the Directors



R M Herron
Chairman of Directors

Melbourne, 25 July 2014



J P Ling
Managing Director

Lead Auditor's Independence Declaration



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 for the financial year ended 30 June 2014 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.

A handwritten signature of Suzanne Bell in black ink, written in a cursive style.

KPMG

Melbourne, 25 July 2014

A handwritten signature of Suzanne Bell in black ink, written in a cursive style.

Suzanne Bell
Partner

Independent Auditor's Report



Independent auditor's report to the members of GUD Holdings Limited

Report on the financial report

We have audited the accompanying financial report of GUD Holdings Limited (the "Company"), which comprises the consolidated balance sheet as at 30 June 2014, consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year ended on that date, notes 1 to 30 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

Independence

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

Auditor's opinion

In our opinion:

- (a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of GUD Holdings Limited for the year ended 30 June 2014, complies with Section 300A of the *Corporations Act 2001*.

Report on non-IFRS financial information

We have audited the non-IFRS financial information comprising the non-statutory remuneration disclosure set out on page 30 of the directors' remuneration report for the year ended 30 June 2014. The directors of the Company are responsible for the preparation and presentation of the non-IFRS financial information report in accordance with the basis of preparation set out on page 30 of the directors' remuneration report for the year ended 30 June 2014.

Our responsibility is to express an opinion on the non-IFRS financial information, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the non-IFRS financial comprising the non-statutory remuneration disclosure set out on page 30 of the directors' remuneration report for the year ended 30 June 2014, is prepared, in all material respects, in accordance with the basis of preparation set out on page 30 of the directors' remuneration report for the year ended 30 June 2014.

KPMG

Suzanne Bell
Partner

Melbourne, 25 July 2014

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 15 August 2014

Shares held	No. of shareholders	%	Shares	%
1 – 1,000	3,874	31.71	2,144,676	3.02
1,001 – 5,000	6,169	50.49	15,701,254	22.13
5,001 – 10,000	1,407	11.52	10,248,575	14.45
10,001 – 100,000	747	6.11	14,918,081	21.03
100,001 and over	21	0.17	27,926,906	39.37
Total	12,218	100	70,939,492	100

There are 418 shareholders holding less than a marketable parcel of shares. A marketable parcel is \$500.00.

The twenty largest shareholders as at 15 August 2014

	Number of shares	%
J P Morgan Nominees Australia Limited	7,430,307	10.47
HSBC Custody Nominees (Australia) Limited	6,642,789	9.36
National Nominees Limited	4,047,429	5.71
Citicorp Nominees Pty Limited	3,797,100	5.35
Argo Investments Limited	1,495,000	2.11
BNP Paribas Noms Pty Ltd <DRP>	1,327,523	1.87
National Nominees Limited <DB A/C>	593,070	0.84
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	460,047	0.65
Warbont Nominees Pty Ltd <Settlement Entrepot A/C>	352,081	0.50
UBS Nominees Pty Ltd	194,726	0.27
Woodross Nominees Pty Ltd	190,072	0.27
QIC Limited	186,408	0.26
RBC Investor Services Australia Nominees Pty Limited <Piselect>	166,422	0.23
The Corp of the T/Tees of The Order of The Sisters of The Presentation	165,349	0.23
Navigator Australia Ltd <MLC Investment Sett A/C>	152,608	0.22
AMP Life Limited	140,181	0.20
Nulis Nominees (Australia) Limited <Navigator Mast Plan Sett A/C>	138,973	0.20
Kulandra Pty Limited	130,736	0.18
Brazil Farming Pty Ltd	110,000	0.16
Bainpro Nominees Pty Limited	105,838	0.15
Totals: The twenty largest shareholders of ordinary fully paid shares	27,826,659	39.23

Substantial shareholder of GUD Holdings Limited

As at 15 August 2014, there were no substantial shareholders.

Shareholder services and information

Dividends/Dividend Reinvestment Plan

The GUD Holdings Limited DRP Plan is currently suspended.

Direct payments to a bank, building society or credit union

Australian and New Zealand shareholders must have cash dividends paid directly into any bank, building society or credit union account in Australia or New Zealand. You can update your account details by accessing the share registry Investor Centre at www.investorcentre.com.

Uncertificated Issuer Sponsored Holdings

The Company register contains uncertificated holdings under the Australian Securities Exchange ("ASX") CHESS system. Share certificates are not issued and shareholders receive regular statements of their holdings under the Company-sponsored scheme.

Stock exchange listing

GUD is listed on the ASX under the name GUD Holdings Limited and under the code GUD.

Change of address or name

It is important that shareholders notify the share registry or their broker in writing immediately when there is a change in their address or name.

For issuer sponsored holdings: please notify the share registry in writing and indicate the details of your new/previous name, your new/previous address and your security reference number ("SRN"), or change the details online at their website at www.investorcentre.com.

For CHESS/broker sponsored holdings: please notify your broker in writing if you change your name and/or address.

Shareholding consolidation

Shareholders are encouraged to consolidate shareholding into one name and identification number. Please download a 'Request to Consolidate Holdings' form from the share registry Investor Centre at www.investorcentre.com under Company Information. Alternatively, an application should be made to the share registry – Computershare Investor Services Pty Limited (see address below). Shareholders with broker sponsored holdings must contact their broker.

Annual Report mailing list

Shareholders are encouraged to access and view the Company's Annual Report online at www.gud.com.au. Shareholders who do not wish to receive reports should advise the share registry in writing or by accessing the share registry Investor Centre at www.investorcentre.com. Shareholders can select the method by which they receive shareholder information, including dividend advice, Notice of Annual General Meeting and Proxy.

Tax File Number ("TFN")

While it is not compulsory for shareholders to provide a TFN, the Company is obliged to deduct tax from non-fully franked dividends paid to residents in Australia who have not supplied such information. Shareholders can update their TFN by accessing the share registry Investor Centre at www.investorcentre.com.

Continuous disclosure

The Company complies with the requirements of the ASX Listing Rules. Shareholders may view all Company announcements at www.asx.com.au. Shareholders may also obtain updated information and recent announcements concerning the Company by visiting the Company's website at www.gud.com.au.

Enquiries

Shareholders with questions about their shareholding should contact Computershare Investor Services Pty Limited who maintains the share register on behalf of the Company.

Enquiries should be addressed to:

Computershare Investor Services Pty Limited

Enquiries within Australia – 1300 850 505

Enquiries outside Australia – 61 3 9415 4000

Investor Enquiries Facsimile Number – 61 3 9473 2500

Yarra Falls, 452 Johnston Street, Abbotsford Victoria 3067

Postal address – GPO Box 2975 Melbourne Victoria 3001

Website – www.investorcentre.com

Email – www.investorcentre.com/contact

Financial summary and ratios

	2010 \$ millions	2011 \$ millions	2012 \$ millions	2013 \$ millions	2014 \$ millions
Sales and profitability					
Sales revenue	474.7	592.8	609.1	596.5	591.6
Underlying EBIT					
Dexion				6.3	3.1
Sunbeam				9.1	1.5
Davey				8.3	8.8
Automotive				27.9	30.3
Oates				10.8	11.1
Lock Focus				0.8	0.9
Unallocated/discontinued				(6.9)	(6.7)
Total underlying EBIT*	71.6	77.1	70.3	56.4	49.0
Net underlying profit before tax*	65.2	68.2	61.2	51.2	42.7
Net underlying profit after tax*	46.4	49.0	44.1	37.4	31.0
Acquisition, integration, restructuring and impairment costs	0.0	(12.3)	(1.1)	(7.7)	(19.0)
Net profit before tax	65.2	55.9	123.7	43.5	23.7
Net profit after tax	46.4	39.7	92.8	31.5	17.7
Cash flow					
Cash flow from operating activities	78.2	67.8	56.9	51.5	29.6
Financial position					
Current assets	174.9	212.4	218.6	213.3	234.4
Current liabilities	66.2	111.9	119.9	94.9	116.8
Net debt	16.3	102.1	17.4	64.9	98.4
Net tangible assets	126.3	86.2	100.9	68.7	41.6
Total equity	218.1	257.6	273.7	239.1	209.3
Per share performance					
Underlying earnings per share* – cents	76.5	71.7	62.9	52.5	43.5
Earnings per share – cents	76.5	58.1	132.3	44.2	24.8
Dividend declared per share – cents	62.0	64.0	65.0	52.0	36.0
% Franked	100%	100%	100%	100%	100%
Payout ratio*	81%	89%	103%	99%	83%
Share statistics (at 30 June each year)					
Total shares on issue – millions	65.9	69.1	70.8	71.3	70.9
Closing share price – \$	8.65	9.10	8.60	5.99	6.22
Market capitalisation	569.9	628.7	608.9	427.3	441.2
Key ratios					
Underlying EBIT/sales*	15.1%	13.0%	11.5%	9.5%	8.3%
Return on capital employed*	18.7%	13.0%	15.1%	12.2%	10.1%
Return on equity*	21.3%	19.0%	16.1%	15.6%	14.8%
Return on assets*	14.8%	10.1%	10.8%	9.4%	7.4%
Net debt/total capital	6.9%	28.4%	6.0%	21.3%	32.0%
Net debt/market capitalisation	2.9%	16.2%	2.9%	15.2%	22.3%
CVA return* #	19.7%	19.9%	14.2%	12.2%	11.2%
Working capital [^] /sales	19%	15%	15%	17%	17%
Capital expenditure/depreciation and amortisation	83%	94%	113%	102%	114%
Interest cover – times*	11.2	8.7	7.7	10.8	7.7

* Underlying results exclude acquisition, integration, restructuring and impairment costs.

[^] Working capital is receivables, inventories, other assets, payables and provisions.

Corporate Directory

Directors

R M Herron, Chairman
J P Ling, Managing Director
P A Hay
M G Smith
G A Billings
D D Robinson

Chief Financial Officer

M A Fraser

Company Secretary

M G Tyler

GUD Holdings Limited

29 Taras Avenue
Altona North Victoria 3025
Australia
Telephone: (03) 9243 3311
Facsimile: (03) 9243 3300
Email: gudhold@gud.com.au
Website: www.gud.com.au

Auditors

KPMG
Chartered Accountants

Share Register

Computershare Investor Services
Pty Limited
Enquiries within Australia: 1300 850 505
Enquiries outside Australia:
+ 61 3 9415 4000
Investor Enquiries facsimile number:
+ 61 3 9473 2500
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452 Johnston Street,
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Postal address: GPO Box 2975
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Website: www.investorcentre.com

Davey Water Products Pty Ltd

David Worley
Chief Executive Officer
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Davey Water Products (NZ)

Peter Goodwin
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E D Oates Proprietary Limited

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GUD Automotive (NZ)

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Wesfil Australia Pty Ltd

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Telephone: (86 21) 6879 4410
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Email: lockf@lockfocus.com.au
Website: www.lockfocus.com.au

Financial Calendar 2014/15

2014

September

Payment of final dividend – 3 September
Annual Report and Notice of AGM mailed to shareholders – late September

October

Annual General Meeting – 28 October

2015

Late January

Announcement of results for the half-year ending 31 December 2014

Announcement of dividend

February/March

Record date for interim dividend

Payment of interim dividend

June

End of Company's 2014/15 financial year

Late July

Preliminary announcement of results for 2014/15 financial year

Timing of events can be subject to change

Annual General Meeting

The Annual General Meeting of GUD Holdings Limited will be held at the RACV Club, Level 17, 501 Bourke Street, Melbourne on Tuesday, 28 October 2014 at 10:00am.

The Notice of Meeting containing all resolutions and a proxy form is enclosed with this Report.

