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

245 Sunshine Road,
Tottenham, Vic 3012
Australia.

PO Box 62 Sunshine,
Vic 3020 Australia.

Telephone: +61 3 9243 3333
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Email: gudhold@gud.com.au
Internet: www.gud.com.au

15 September, 2011

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, Finance Statements, Directors' Declaration, Audit Report and other information required under the Listing Rules.

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

Yours faithfully

Malcolm G Tyler
Company Secretary

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

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15 September 2011

Dear Shareholder,

On behalf of the Board of Directors, it is my pleasure to invite you to attend the Annual General Meeting of Shareholders of GUD Holdings Limited to be held at the RACV Club, Level 17, 501 Bourke Street, Melbourne on Thursday, 20 October 2011 at 11:00 a.m. (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 and view some of the product displays.

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

Yours sincerely,

Clive Hall
Chairman

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GUD Holdings Limited
ACN 004 400 891

NOTICE OF ANNUAL GENERAL MEETING

The 2011 Annual General Meeting of GUD Holdings Limited (the Company) will be held at the RACV Club, Level 17, 501 Bourke Street, Melbourne on Thursday, 20 October 2011 at 11.00 a.m. (AEDT). Registration will commence at 10.00 a.m. (AEDT).

Ordinary Business

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 2011.

2. Re-election of Director

To re-elect a Director in accordance with rule 34(c) of the Company's constitution.

Mr Roger Wodson retires and, being eligible, offers himself for re-election.

Details of Mr Wodson are set out in the explanatory notes to this Notice of Meeting.

3. Remuneration Report

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

"That the Remuneration Report for the year ended 30 June 2011 (as set out in the Directors' Report on pages 26 to 33 of the 2011 Annual Report) be adopted."

A voting exclusion statement in relation to this resolution is set out in the explanatory notes attached to this notice of meeting.

(The vote on this resolution is advisory only)

Special Business

4. Financial Assistance – Banking facilities and Dexion acquisition

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

"That, for the purposes of section 260B(2) of the *Corporations Act 2001* (Cth), approval is given for the financial assistance to be provided by Dexion Limited, Dexion Integrated Systems Pty Limited, Dexion Commercial (Australia) Pty Limited and Dexion (Australia) Pty Limited, from time to time in connection with the Acquisition as described in the explanatory notes accompanying the notice of the proposal to pass this resolution."

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 2011 for a period of 3 years."

By order of the Board

Malcolm G Tyler
Company Secretary

Melbourne

15 September 2011

EXPLANATORY NOTES

Item 1 – Financial statements and reports

The financial statements of the Company and its controlled entities for the year ended 30 June 2011 and the Directors' Report and Auditor's Report are set out in the GUD Holdings Limited Annual Report 2011.

Neither the Corporations Act nor the constitution of the Company 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.

Item 2 – Re-election of Director

Rule 34(c) of the Company's constitution requires each Non-executive Director of the Company to retire every third year; however, they are eligible for re-election.

This year, one Director, Mr R J Wodson, is due to retire. Being eligible, he offers himself for re-election.

Profile of Mr Wodson follows:

R J Wodson FCPA FAICD Age 65

Appointed Finance Director on 25 June 2001. Mr Wodson was appointed Chief Financial Officer of GUD on 1 February 2000. Prior to his appointment, Mr Wodson was Chief Financial Officer of Bunge Defiance Group.

Further details regarding Mr Wodson are set out on page 36 of the Annual Report.

Board Recommendation

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

Item 3 – Remuneration Report

The Corporations Act requires a non-binding resolution to be put to shareholders for the adoption of the Remuneration Report. The Remuneration Report is set out on pages 26 to 33 of the GUD Holdings Limited Annual Report for the year ended 30 June 2011 and is also available from the Company's website (www.gud.com.au).

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

Board Recommendation

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

Voting Exclusion

The Corporations Act restricts members of the key management personnel (**KMP**) of the Company and their closely related parties from voting in relation to agenda item 3 in certain circumstances.

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 a member of the KMP.

The Company is required under the Corporations Act to disregard any votes cast (in any capacity) on the proposed resolution in agenda item 3 by or on behalf of:

- a member of the KMP (details of whose remuneration are included in the remuneration report); and
- a closely related party of those persons (such as, close family members or a company the person controls).

However, this restriction will not prevent such a person casting a vote on the resolution in agenda item 3 if the person does so as a proxy appointed in accordance with the directions on the proxy form (or provided electronically), that specifies how the proxy is to vote on the proposed resolution (and the vote is being cast on behalf of a person who would not themselves be precluded from voting on the resolution).

What this means for shareholders: If you intend to appoint a member of the KMP as your proxy, please ensure that you direct them how to vote on item 3.

If you intend to appoint the Chairman of the Meeting as your proxy, you can direct him how to vote by either marking the boxes for item 3 (for example if you wish to vote against or abstain from voting), or by marking the Chairman's box on the proxy form (in which case the Chairman of the Meeting will vote in favour of this item of business).

If you intend to appoint another member of the KMP (such as one of the directors) as your proxy, you can direct them how to vote by marking the boxes for item 3.

Item 4 – Financial Assistance – Banking facilities and Dexion acquisition

Dexion acquisition

The Company has purchased the entire issued share capital of Dexion Limited (the **Target**) (the **Acquisition**).

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

Banking facilities

In order to assist with the Acquisition, the Company borrowed funds under the club facility agreement (**Facility Agreement**) dated 18 January 2000 (as amended from time to time) between (among others) the Company and each of Australia and New Zealand Banking Group Limited, ANZ National Bank, Westpac Banking Corporation and National Australia Bank Limited.

The Facility Agreement has an aggregate limit of AUD180,000,000 (with a sub-limit of NZD65,000,000) and is divided into separate facilities comprising AUD100,000,000 (sub-limit NZD50,000,000) of core debt facilities and AUD80,000,000 (sub-limit NZD15,000,000) of working capital facilities. The facilities are available to the Company and to GUD NZ Holdings Limited as borrowers under the Facility Agreement.

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

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

in each case subject to agreed exceptions.

The obligations of the borrowers under the Facility Agreement are guaranteed by various subsidiaries of the Company under the guarantee and indemnity (**Guarantee**) in favour of the financiers and dated 21 April 2009 (as amended from time to time).

Under the terms of the Facility Agreement, each of the following members of the Target Group (each a **Subsidiary**) is required to provide a guarantee and indemnity in favour of the Company's financiers:

- Dexion Limited;
- Dexion (Australia) Pty Limited
- Dexion Integrated Systems Pty Limited;
- Dexion Commercial (Australia) Pty Limited,

Each Subsidiary has acceded to the Guarantee, on the basis that such accession will not become effective until the procedure outlined below is completed.

Financial assistance prohibition

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

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

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

- a special resolution passed at a general meeting of the company, with no votes being cast in favour of the resolution by the person acquiring the shares (or units of shares) or by their associates; or
- a resolution agreed to, at a general meeting, by all ordinary shareholders.

If, immediately after the acquisition, the company will be a subsidiary of another:

- domestic corporation that is listed in Australia (**Listed Australian Holding Company**); or
- domestic corporation that is not listed in Australia and is not itself a subsidiary of another domestic corporation (**Ultimate Australian Holding Company**),

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

Financial assistance

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

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

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

Reasons for giving financial assistance

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

If such obligations are not complied with an ‘Event of Default’ will occur under the Facility Agreement and the funding under the Facility Agreement may be required to be repaid.

Effect of financial assistance

The substantial effect of the financial assistance on each Subsidiary is that it will have guaranteed all amounts payable under the Facility Agreement. The operations of the Subsidiaries will also be restricted by the representations and undertakings given in the Facility Agreement.

Advantages of the proposed financial assistance

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

Disadvantages of the proposed financial assistance

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

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

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

Financial assistance resolution

The financial assistance resolution in item 4 of the notice of meeting will be passed if 75% of the members vote in favour of the resolution.

The members may vote either for or against the Financial Assistance Resolution.

Board Recommendation

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

Item 5 – Renewal of Proportional takeover approval provisions

The Corporations Act permits a company to include in its constitution a provision which enables the company to refuse to register a transfer of shares acquired under a proportional takeover bid unless a resolution is first passed by 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 2008 AGM for a period of 3 years with effect on and from 1 December 2008. Accordingly, the provision will cease to operate from 1 December 2011 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.
- 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.

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 Tuesday, 18 October 2011 will be treated as shareholders of the Company.

Appointment of proxies
A proxy form accompanies this Notice of Annual General Meeting.

A shareholder entitled to attend and vote is entitled to appoint not more than two proxies. A proxy need not be a shareholder. Where the Chairman is appointed proxy, he will vote in accordance with the shareholder's directions as specified on the proxy form or, in the absence of a direction, in favour of the resolutions contained in the Notice of Meeting.

Where a shareholder wishes to appoint two proxies, an additional proxy form may be obtained by contacting the Company's Share Registry. 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.

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 11.00 a.m. (AEDT), Tuesday, 18 October 2011.

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

Reviewing the Annual Report

If you have not received a copy of the Annual Report with this Notice of Meeting you may view the 2011 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

GUD

GUD Holdings Limited

ABN 99 004 400 891

000001 000 GUD
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FLAT 123
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Lodge your vote:

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

For all enquiries call:

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

Proxy Form

Vote online or view the annual report, 24 hours a day, 7 days a week:

www.investorvote.com.au

- ☑ **Cast your proxy vote**
- ☑ **Access the annual report**
- ☑ **Review and update your securityholding**

Your secure access information is:
Control Number: 999999

SRN/HIN: I9999999999 **PIN: 99999**

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

For your vote to be effective it must be received by 11.00 a.m. (AEDT) Tuesday 18 October 2011

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 as they choose. If you mark more than one box on an item your vote will be invalid on that item.

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

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

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.
Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.
Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.
Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

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

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

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

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

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

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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, as the proxy sees fit) at the Annual General Meeting of GUD Holdings Limited to be held at RACV Club, Level 17, 501 Bourke Street, Melbourne on Thursday, 20 October 2011 at 11.00 a.m. (AEDT) and at any adjournment of that meeting.

Important for Item 3 - If the Chairman of the Meeting is your proxy or is appointed as your proxy by default
By marking this box, you are directing the Chairman of the Meeting to vote in accordance with his voting intentions on Item 3 as set out below and in the Notice of Meeting. If you do not mark this box, and you have not directed your proxy how to vote on Item 3, the Chairman of the Meeting will not cast your votes on Item 3 and your votes will not be counted in computing the required majority if a poll is called on this Item. If you appoint the Chairman of the Meeting as your proxy you can direct him how to vote by either marking the boxes on any or all of the items in step 2 below (for example if you wish to vote against or abstain from voting) or by marking this box (in which case the Chairman of the Meeting will vote in favour of item 3).

The Chairman of the Meeting intends to vote all available proxies in favour of item 3 of business.

☐ I/we direct the Chairman of the Meeting to vote in accordance with his voting intentions on item 3 (except where I/we have indicated a different voting intention below) and acknowledge that the Chairman of the Meeting may exercise my proxy even though Item 3 is 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 Resolutions	For	Against	Abstain
Item 2. Re-election of Director - R J Wodson	☐	☐	☐
Item 3. Remuneration Report	☐	☐	☐
Special Resolutions			
Item 4. Financial Assistance - Banking facilities and Dexion acquisition	☐	☐	☐
Item 5. Renewal of proportional takeover approval provisions	☐	☐	☐

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

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

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

Contact Name ______________________ **Contact Daytime Telephone** ______________________ **Date** ___ / ___ / ___

GUD HOLDINGS ANNUAL REPORT 2011

SIGNIFICANT RESULTS AND ACTIONS 2010/11

Strong underlying financial performance, resulting in record net profit after tax, before acquisition, integration and restructuring costs.

Underlying EBIT improved 8% over the prior year, including an initial contribution from Dexion for 10 months.

Completed the acquisition of Dexion on 1 September 2010 and commenced a comprehensive integration and restructuring program to lay the platform for improved financial returns in future years.

Invested $9.8 million pre-tax in restructuring activities in Dexion and Davey to improve operational efficiencies and reduce operating costs.

All businesses generated a higher EBIT from the prior year, with the exception of Water Products, which was materially affected by adverse weather conditions in Australia.

Acquired Davey's French and Spanish distributors of swimming pool products in June 2011, providing the potential for future growth across the whole product range in Western Europe.

STRATEGIC DIRECTION

GUD Holdings is the owner of Australasia's premier portfolio of consumer and industrial brands. These include Sunbeam, the leading regional small appliance brand; Davey, a major brand in the internationally dynamic water products sector; Ryco and Wesfil in the automotive aftermarket; Oates, the local market leader in the cleaning products markets in both retail and commercial segments; Lock Focus, the principal brand in its niche security products segment and Dexion, the largest Australasian-owned business operating in industrial and commercial storage markets.

The Company's principal aptitudes are in brand management, product design and development, sourcing and supply chain management.

GUD's diverse businesses focus on creating products to meet specific market needs and sourcing these products from quality-endorsed, cost-competitive, global manufacturers. Manufacturing capability is maintained in the Water and Industrial Products businesses, complementing products these businesses source offshore.

GUD passionately believes in the importance of brands having enduring ties with their respective target audiences; it is the Group's brands that provide the platform for sustained financial success. Fundamental to supporting brand growth is new product activity and every group business has an intensely active new product program. GUD greatly values new product development and creation.

The Group's principal objectives are to produce long-term shareholder returns above the cost of capital and to maximise the value of its most important asset – its brand portfolio.

Contents

Clive Hall Chairman

Ian Campbell Managing Director

THE CHAIRMAN'S AND MANAGING DIRECTOR'S REVIEW

Although trading conditions for most of the 2010/11 financial year were erratic across many of the industry sectors in which GUD's businesses operate, the underlying financial performance of the Group was sound.

GUD competes chiefly in the non-mining sector of the Australian economy and conditions in this sector have been widely reported as being extremely subdued. This affected demand for products across all activities.

In addition cool and wet weather across south-eastern Australia, from spring 2010 onwards, culminating in the January/February floods in Queensland and Victoria and the effect of Cyclone Yasi, combined to result in sizeable demand reductions for Davey's products in core market segments.

With the exception of the Water Products business, underlying profitability (EBIT) increased from the prior year.

The highlights of performance in 2010/11 were:

1. A 25% increase in sales from the prior year to just under $593 million. This included an initial contribution from Dexion of $157 million over 10 months and a contraction in Davey's sales of $24 million due to weather-induced lower demand.
2. An improvement in underlying net profit after tax of 6% to $49 million, allowing for an increase in annual dividend from 62 to 64 cents. This level of underlying net profit was a record for GUD.
3. A reduction of 14% in reported net profit after tax to just under $40 million. This occurred after acquisition, integration and restructuring costs of $9.3 million after tax was incurred in Dexion and Davey.
4. A continuation of strong cash generation. Operating cash flow was down 13% but this included cash outlays associated with the Dexion acquisition and restructuring activities along with higher tax payments.
5. A solid year-end balance sheet position, despite the costs of the Dexion acquisition. Net debt at 30 June 2011 was $102.1 million, up from $16.3 million previously, but gearing (net debt to equity) remains comfortable at 40%. The increase in net debt is largely a result of the Dexion acquisition costs and debt acquired on acquisition.
6. A growth in share capital of 4.9%, or 3.2 million new shares. The July 2010 Share Purchase Plan resulted in 1.8 million new shares being issued while the continuation of the Dividend Reinvestment Plan saw nearly 1.4 million new shares issued.

The challenges that the group's businesses faced to grow revenue, with the backdrop of the subdued non-mining sector conditions in Australia and a continued sluggish economic environment in New Zealand, were offset by the increase in the purchasing power of the Australian dollar and its impact on profits. As substantial importers of finished products, most of which are sourced in US dollars, GUD's businesses benefited from the strengthening of the currency over the year.

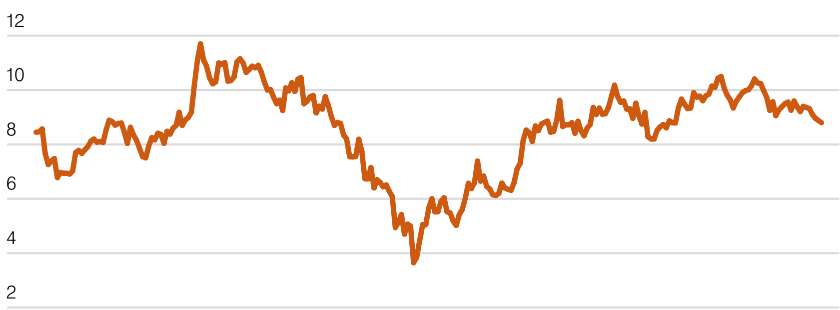
This realignment of the value of the Australian dollar assisted to reduce the effect of rising product costs due to increasing labour costs in China and higher raw material costs.

The 2010/11 year was unusual due to the occurrence of a number of significant natural phenomena affecting trading conditions across many of GUD's businesses.

The effect of the strong and prolonged La Nina episode was profound on the Water Products business. La Nina events result in cool and wet conditions across Australia's most populous regions and these manifest in reduced demand for water-related products. Demand was severely dampened by the prevailing La Nina conditions across most of the key applications for Davey's products range:

- The rainwater harvesting market, into which Davey sells pumps and its leading RainBank controller, was hit hard by the summer wet as well as by the established decline in household construction commencements. With fewer new houses and less inclination on the part of consumers to conserve water when they are experiencing record rainfall, demand across this market segment declined substantially.

Share price performance GUD Holdings ($A) July 2006–June 2011



This has resulted in major restructuring and rationalisation of the rainwater tank manufacturing industry, a key customer segment for Davey. A return to more normal climatic conditions should cause a recovery in this market.

- As market leader in the portable firefighter pumps market Davey's sales were affected detrimentally by non-occurrence of a bushfire season across Eastern Australia. In fire prone Victoria there have been no significant bush fires since the Black Saturday fire of February 2009.
- Similarly, the cool, wet conditions had a negative effect on demand for swimming pool products. In addition, rather than replacing old equipment it appears that consumers were more inclined to repair, a habit which is consistent with the prevailing consumer sentiment to save rather than spend. With a return to more normal summer conditions, demand in this market segment should recover.
- Additionally, the weather affected demand for irrigation products although sales should also recover as farmers replace pumps and equipment that were destroyed in the floods and cyclones.

In all these market segments Davey has maintained its market leading position and has continued to lead the industry in the level of support it has provided to water products dealers in these tough times. Financial performance should improve markedly when market demand recovers.

The 2010/11 year was one in which GUD made a significant acquisition, providing a platform for growth in the future.

The bid for Dexion Limited was launched in June 2010 and the acquisition was completed on 1st September 2010. This business has been part of GUD's portfolio for 10 months in the 2010/11 year.

Dexion broadens and diversifies GUD's activity base. It results in GUD being relatively less exposed to consumer purchasing and confidence patterns and provides the group with an exposure to industrial and commercial demand cycles.

Dexion operates essentially in two market segments:

- The market for industrial warehousing racking and storage products, including fully automated warehousing systems. Dexion is an exceptionally strong brand in this industry and has a market leading position in the local markets.
- The market for commercial storage products and solutions, including offices, libraries, retail and other specialist applications.

Dexion also provides the GUD group with a broader spread of market involvement. Although the Australian and New Zealand markets are its primary areas of activity, the business is active in Asia and the Middle East with operations located in Malaysia and China and sales representation across the region.

The inherent growth potential in these regions, with increasing industrialisation and more sophisticated logistics operations, should provide GUD with exposure to substantial, rapidly growing markets. Over the medium term this will reduce the group's reliance on the relatively mature Australian and New Zealand markets and provide an underpinning for increased profitability.

However, prior to this occurring a number of major restructuring activities was initiated during 2010/11 to position Dexion to compete cost-effectively in these market areas. These are described in detail later in the Dexion section, but they included a substantial investment of $8.9 million pre-tax in restructuring and integration costs in the year.

People, Health and Safety

The acquisition of the Dexion group of companies added considerably to employee numbers: 1,576 employees at year end compared with 910 at the end of 2009/10. Apart from Dexion there were no major acquisitions or divestments during the year and no significant restructuring activities to affect employee numbers.

GUD has continued its emphasis on health and safety in the workplace through the Occupational Health and Safety Steering Committee. Representatives from each division meet monthly to review common policies and procedures and general matters relating to health and safety. This year representatives of the Dexion businesses were included and much focus has been on instilling GUD's culture, health and safety management and reporting requirements in those businesses. The program now extends beyond Australia and New Zealand to include Dexion's operations in China and Malaysia.

Over the year the established GUD businesses achieved a reduction in lost time injuries of 33%, from 6 to 4. Dexion's statistics will be incorporated into the Group commencing July 2011.

Sustainability

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

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

Future Direction

The acquisition of Dexion has not fundamentally altered the GUD group's strategic direction. It has, however, resulted in a number of critical short-term priorities to be actively managed, especially the successful completion of the Dexion restructuring projects, which will position that business securely for the future.

The continued prosperity of GUD remains firmly based on consistent, active management of the Group's unique and unsurpassed portfolio of market leading brands. Strong brands provide the platform for sales revenue growth and for superior margin generation.

$49.0M

RECORD LEVEL OF UNDERLYING NET PROFIT AFTER TAX IN 2010/11, AN INCREASE OF 6% ON THE PRIOR YEAR

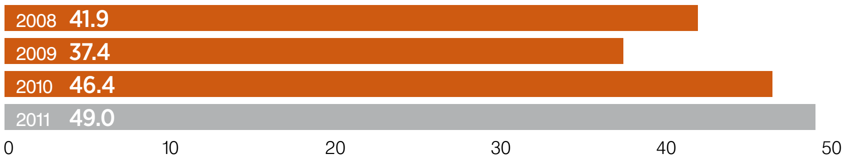
8%

UNDERLYING EBIT IMPROVEMENT OVER THE PRIOR YEAR

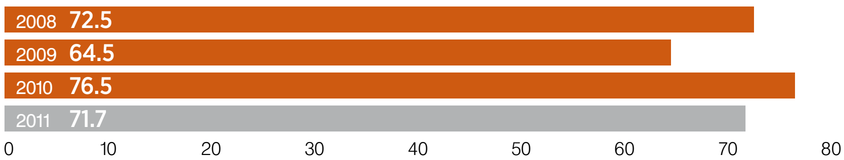
3%

UPLIFT IN FULL YEAR DIVIDEND TO 64 CENTS PER SHARE FULLY FRANKED

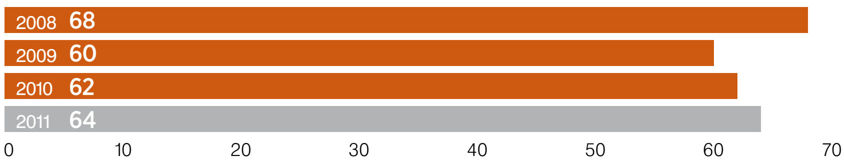
Underlying profit after tax (before restructuring and acquisition costs) $ million



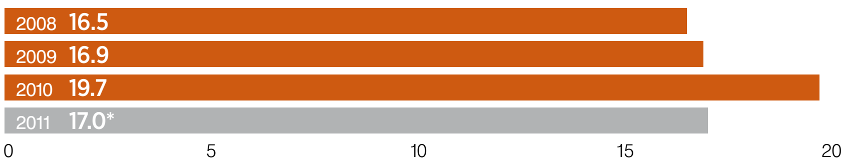
Total earnings per share (before restructuring and acquisition costs) cents



Dividends declared per share cents



CVA return %



* 19.9% excluding Dexion

GUD has in place a structured and disciplined brand management program across all businesses. This program includes regular market assessments of brand health as seen by each brand's target audience and the initiation of actions intended to resolve any brand perception issues raised by our consumers.

Effective brand management involves working continually to improve product and service offerings. A strong culture of innovation is in place in all businesses, spanning products, processes and technologies. New products drive sales growth and brand strength provides margin support.

As much as brands are important for sales growth and margin generation, an embedded culture of active cost control ensures GUD's businesses are competitive in all served markets. Attendant to this is a continual focus on working capital management consistent with the Group's focus on Cash Value Added principles.

The Board and Management continue to believe that strong brand management coupled with a tight cost control culture and application of Cash Value Added principles combine to ensure that superior shareholder returns will be generated over the long term.

Clive Hall
Chairman

Ian Campbell
Managing Director

25%

INCREASE IN SALES TO $593 MILLION, INCLUDING INITIAL CONTRIBUTION FROM DEXION

$9.3M

AFTER TAX INVESTMENT IN OPERATIONAL RESTRUCTURING PROGRAMS

SUMMARY OF OPERATIONS

CONSUMER PRODUCTS

Sunbeam

Small electric appliances Café Series range, electric blankets, toasters, kettles, irons, food preparation appliances, coffee makers, snackmakers, mini ovens, juicers, electric heaters, gas and electric barbeques

Significant Events

Continued to improve Sunbeam's brand equity through sponsorship of the phenomenally successful *MasterChef®* television series

Updated the 'Designed to Help' communications with new television commercial aired during *MasterChef®*

Maintained market leadership position (as measured by GfK) in Australia and New Zealand

Stepped up product development activities to bolster the new product pipeline for 2011/12 and beyond

Increasing competition from retailer own brand products

Future Direction

Progressively upgrade existing product lines

Invest in new products, technologies and materials to grow sales and profit margins

Actively manage the supplier base to reduce the impact of cost increases and to ensure Sunbeam's product quality position is maintained

Oates

Janitorial and chemical cleaning products mops and buckets, brooms and brushware, cleaning cloths and wipes, scourers and sponges, commercial cleaning products, Research Chemicals and Citrus Resources speciality cleaning chemicals

Significant Events

Strong contribution from Research Chemicals and Citrus Resources in first full year of ownership

Maintained leadership in Australian cleaning products markets, especially brushware

Intense competition in grocery markets due to price war and growth of housebrands

Future Direction

Capitalise on the growth potential for the cleaning chemicals' product ranges in both commercial and retail segments

Seek additional complementary acquisitions to benefit from Oates' momentum in the market

Maintain focus on product innovation and design

Commence consumer campaign to communicate the benefits of the Oates brand

WATER PRODUCTS

DEPEND ON DAVEY WATER PRODUCTS

Pumps and associated water products Davey water pressure systems, Firefighter® pumps, RainBank® rainwater controllers, Torrium® water pressure system controllers, Steriflo UV water treatment, Filterpure cartridge filtration, Microlene water purifiers, Davey and Monarch Series swimming pool pumps, salt water chlorinators and filters

Significant Events

Substantial demand decline across many market segments due to unfavourable weather conditions in Australia

Export sales hampered by strengthening Australian dollar

Closed spa products factory in Auckland and relocated assembly to lower the product cost base for the future

Maintained or grew market share in all critical product segments

Future Direction

Positioned well to benefit from upturn in demand as weather conditions return to normal

Substantial new product pipeline in place with emphasis on products that are far more energy-efficient

Continue marketing activities in the swimming pool segment to support further market share growth

Build the business in the water treatment segment

INDUSTRIAL PRODUCTS

LOCKFOCUS

Locking systems and other security products Lock Focus garage door locks, metal furniture locks and caravan and 4WD locking systems, Locktech safes and electronic locks, Kiroo electrical cabinet hardware

Significant Events

Launched *rosslinear*™ electronic access control product

Financial performance affected by reduced demand in some critical market segments

Implemented GUD group brand management program

Future Direction

Maximise the sales and profit potential from the *rosslinear*™ product

Continue to invest in new product development for identified growth segments to underpin sales and profit growth

DEXION®

Warehousing racking and storage, automated warehousing systems, commercial storage products Dexion warehouse racking and systems, Ultima shelving range, Elite Built filing cabinets and office storage equipment, Compactus® mobile storage units, Precision shelving and storage, Dexion Office commercial fit out

Significant Events

Acquired by GUD on 1 September 2010

Implemented a number of major restructuring projects to position the business for the future

Commenced the implementation of GUD group management systems and disciplines

Won 2011 Smart Award for Excellence in Supply Chain Management and Distribution in conjunction with client Kimberley Clark

Market demand affected by low level of major projects following the global financial crisis

Future Direction

Ensure planned savings and other benefits from restructuring projects are delivered

Implement GUD group brand management program across all Dexion's brands

Transition commercial business to outsourcing structure

AUTOMOTIVE PRODUCTS

RYCO FILTERS

GOSS QUALITY PRODUCTS

WESFIL

Automotive aftermarket products automotive oil, air and fuel filters, automotive cabin filters, transmission filters, fuel pumps and associated engine management parts

Significant Events

Continued momentum in the Wesfil business led to an overall improvement in profits

Trading conditions remained patchy in both Australia and New Zealand across both trade and retail markets

Growth direction for the Goss brand identified and new products being sourced

Implemented GUD group brand management program at Wesfil

Grow Goss with product range extensions

Future Direction

Continue to support Ryco's unsurpassed brand equity with further marketing investments

Actively manage the supplier base across all three brands to reduce the impact of cost increases while maintaining each brand's quality stance

SUNBEAM

Sunbeam management

David Jackson
Chief Executive Officer
Sunbeam Corporation Ltd

Christine Johnston
General Manager
Sunbeam Corporation Limited (NZ)

CONSUMER PRODUCTS

REVIEW OF BUSINESS

GUD's Consumer Products segment comprises the market-leading Sunbeam and Oates businesses in small appliances and cleaning products, respectively. Both these businesses manage market leading brands, in Sunbeam's case on both sides of the Tasman Sea.

Sales declined by 6%, on the prior year level to $236 million and EBIT increased 15% to just under $39 million. The EBIT to sales margin improved from 14% to 16%.

Performance Summary

	2011 $'000	2010 $'000
Sales	235,880	249,721
Segment Profit	38,847	33,864
Segment Assets	123,298	140,114

In a challenging retail environment in both Australia and New Zealand, GUD's flagship Sunbeam brand retained a strong market leadership position through 2010/11.

It has been reported widely that Australian consumer sentiment changed to strongly negative over the year and this, coupled with New Zealand's continued weak economy and the effects of the Christchurch earthquakes, resulted in reduced demand, especially for high value, discretionary appliances.

Sunbeam's sales declined from the prior year's level but profit was stronger due to a favourable impact from the appreciating Australian dollar. Sunbeam sources the majority of its product range from qualified suppliers in China and purchases this in US dollars. The stronger Australian currency assisted Sunbeam to retain gross profit margins in an environment of increasing product costs.

In addition to the prevailing negative consumer sentiment, major retailers attempted to retain their relative market positions by focusing on their low-priced, lower featured house branded product ranges at the expense of national brands. This focus has resulted in non-branded products growing substantially in the market – from 10% of units in 2006 to over 20% in 2010. The value generated by these products has more than doubled from 4% of the market to 9% over the same time period.

The unmatched equity that the Sunbeam brand holds with Australian and New Zealand consumers is evidenced by its market leadership retention in the context of changing consumer sentiment and the increasing presence of trade brands.

Sunbeam's continued involvement in sponsoring the extremely successful *MasterChef®* cooking contest has, to some extent, been behind this performance. But it is also partly due to the strength of brand's heritage and current standing with Australian and New Zealand consumers.

MasterChef® in 2011 continued to be a ratings success. It regularly attracted an Australian audience in excess of 1.5 million consumers and Sunbeam's products were heavily featured during the current series. *MasterChef®* has been instrumental in generating growth in kitchen appliances, especially food preparation appliances such as Mixmasters, blenders and FoodSaver vacuum packaging machines.

Recognising that the value segment of the market has been growing strongly and has an established position, Sunbeam developed a second brand to enable the business to compete in this segment while minimising the impact on the core Sunbeam brand. The Novo brand and range was developed during the year and, although sales have been slower to develop than expected initially, Novo should result in the generation of a healthy income and profit stream in 2011/12.

While the competition at store level has been intense, the structure of the retail trade in the small appliance sector has been undergoing fundamental change. The independent, electrical specialist has been slowly disappearing while mass merchant outlets have been growing their share of the business. New retail entrants, such as Costco and the imminent arrival of the Masters home improvement chain, have the potential to further alter the nature of the retail environment for small appliances.

To maintain its strong market position Sunbeam is compelled to support its consumers by providing products that display all the attributes of market leaders. Additionally, it is incumbent on market leaders such as Sunbeam to invest heavily in new ideas, materials and technologies to develop the products for tomorrow as demanded by changing consumer preferences and lifestyles.

Sunbeam's new product program for the first half of 2011/12 is strong and it will continue through the full year. New designs for existing core ranges are slated for launch during the current year and these should provide a sound base from which to generate sales and profit growth as consumer sentiment improves.

OATES

Oates management

David Birch
Chief Executive Officer
E D Oates Pty Ltd

CONSUMER PRODUCTS

Oates is Australia's leading cleaning products business and is active in both professional and consumer market segments. Aided by the June 2010 acquisition of two niche cleaning chemicals brands, Oates reported a strong financial performance in 2010/11, despite the headwinds of tough retail trading conditions and the intense supermarket price war between the two major players in that sector.

The acquisition of Research Chemicals and Citrus Resources provides Oates with new avenues of growth. Its extensive network of commercial cleaning distributors allied with its ability to access a wide range of retail customers lays the foundation for Oates to generate incremental sales of these highly differentiated product ranges.

The retail environment in which Oates competes provided a significant number of sizeable challenges in 2010/11. The ongoing, intense supermarket price war led to an escalated inability to impose price increases, despite cost pressures from suppliers. The strengthening Australian dollar fortuitously insulated the business against much of this pressure and enabled it to return satisfactory gross profit margins.

Consolidation in the retail sector and the continued push towards retailer own brands are trends that are seriously affecting the ability of branded products to generate adequate margins. These margins are required to ensure the business can make the necessary investments for future growth.

Due to the nature of its product range – non-discretionary, low value, replacement items – the markets in which Oates operates have not been affected materially by the doldrums that have been present across many retail sectors over the last year.

In concert with all GUD's businesses Oates vigorously engages in new product development activity and the results of this are evidenced by the brand growing its market leadership position in the critical brushware segment. Oates' attention to customer service and its active sales plans have both contributed to an improved market position.

The competitive and market issues that confronted Oates in 2010/11 are not expected to recede in 2011/12. The business is expecting to generate growth with the chemicals product ranges and is continuing to invest in new products in its established product segments. The business will be embarking on a brand-building consumer communications campaign and, when coupled with its industry leading levels of customer service, this positions the business well to face those challenges.

INDUSTRIAL PRODUCTS

REVIEW OF BUSINESS

LOCK FOCUS

Lock Focus management

Geoff Charnley
Chief Executive Officer
Lock Focus Pty Ltd

Lock Focus is the smallest business within the GUD brand portfolio and it competes in a niche segment of the security products industry. Its customer base spans a range of original equipment manufacturers in a number of industry sectors, including caravans, electrical cabinets, residential window and door manufacturers and garage and roller door manufacturers.

The downturn in the Australian residential building sector, which affected Lock Focus customers in a number of key end use segments, led to lower levels of sales and profitability in 2010/11. Specifically, customers in the garage doors and sheds industries along with those in residential and industrial segments all experienced lower levels of activity during the year resulting in lower demand for the products manufactured by Lock Focus.

Conversely, activity in the caravan and four wheel drive markets increased while sales to customers in the furniture and electrical cabinet industries were relatively steady.

Through the development of its brand plan Lock Focus identified a number of product and market segment opportunities to provide avenues for future growth. During the 2010/11 year the business invested considerable resources into developing new product concepts to tackle these opportunities in coming years.

The first of these concepts to reach the commercialisation phase is the ground-breaking *rosslinear*™ electronic access control for both commercial and domestic applications. This product was launched in the second half of the 2010/11 year and is expected to gather substantial sales momentum in the current year. *rosslinear*™ represents a significant shift in product direction for Lock Focus and is the first in a number of innovative and contemporary products that have been conceptualised and which will provide both future sales and profit growth for this business.

Lock Focus's strength is its ability to service its core niche markets with flexibility and with innovative, relevant new products. Through this focus, and by maintaining a tight control over costs and constantly reviewing make versus buy economics, it is expected that Lock Focus will continue to generate more than satisfactory returns for GUD.

DEXION

Dexion management

Peter Farmakis
Chief Executive Officer
Dexion Limited

The acquisition of the Dexion business in September 2010 provides GUD with a substantial fifth arm of business. Dexion met all GUD's strictly applied acquisition criteria. Its activities, principally in business-to-business markets, diversify GUD from being relatively closely tied to consumer markets to having an improved spread of industry exposure.

The 2010/11 year has been one of working to position Dexion for the future. It is expected that in the 2011/12 year Dexion will start to produce the returns required to ensure it is an economically sustainable business into the future.

Performance Summary

	2011 $'000	2010 $'000
Sales	167,497	12,342
Underlying Segment Profit	6,167	1,729
Segment Assets	173,958	12,792

The major objective for Dexion following the acquisition has been to understand the best profile for the business for the foreseeable future and to then act to put that profile in place. As a result a number of major restructuring activities were commenced during the year in both the Industrial and Commercial segments of Dexion.

These activities included a range of factory closures and rationalisations along with a management amalgamation and consolidation of office and administrative functions. The actions that were initiated by GUD management resulted in a one-off restructuring charge of $8.9 million pre-tax, in the 2010/11 year.

All of these projects, which are described in detail below, will have considerable ramifications for Dexion's financial performance in future years. They were necessary to ensure that the Dexion businesses are able to compete effectively in their existing markets and to position them to similarly compete in the market segments targeted for future growth.

Specifically, the restructuring activities were:

1. The closure of the warehouse racking products factory in East Tamaki, New Zealand and the conversion of the business to a sourcing profile. The product range is sourced from Dexion's other production facilities at Kings Park (NSW) and Shanghai, China. This activity was commenced prior to GUD's ownership and the costs associated with it were incurred pre-acquisition while the full benefits will flow in the coming financial year.
2. The implementation of a common product strategy across the three warehouse racking manufacturing facilities – Sydney, Kuala Lumpur and Shanghai. Once implemented, the ability to manufacture a common product range provides the business with an improved flexibility for the future. Products will be able to be sourced from any of the three factories, depending upon delivery schedules, cost, and factory capacity. This improves Dexion's customer service level and positions it well to take advantage of growth opportunities in new Asian markets.
3. The integration of the management structures of the two arms of the business that were servicing the large warehouse racking projects market. Previously the area of Dexion focusing on automated warehousing solutions was managed separately from the non-automated segment, although the customer base was essentially common. This amalgamation has enabled the business to consolidate all selling and administrative functions in Dexion's Industrial business into one facility and one management structure. This will lower the overhead cost base and improve the conversation at the customer level.
4. The closure of the Dexion Commercial factory at Bayswater, Victoria and the consolidation of operations at the Sunshine facility. This initiative has the effect of improving efficiencies and lowering the cost base through having only one factory overhead burden. This project was initiated in October 2010 and completed over the Christmas shutdown period.
5. Following the consolidation of Bayswater operations with those at Sunshine it was subsequently announced that the Dexion Commercial business would be transitioning to an outsourced structure for its standard product range, involving the cessation of manufacturing of standard products at both Sunshine and Wingate in New Zealand. This transition is occurring progressively over the first half of the current financial year and places Dexion Commercial in a much stronger competitive position against the majority of its primary competitors, who also import.

All of these major re-positioning projects have occurred at a time when Dexion was being integrated into GUD, from a management systems and disciplines perspective and have placed a significant burden on the various management teams in Dexion. However, the challenge has been accepted and, when successfully completed, Dexion will be in a much stronger competitive position in both its local and emerging markets.

While the business has been active in managing these various restructuring activities, the market landscape in both the industrial and commercial segments has provided substantial challenges in relation to the generation of sales.

In the industrial segment, that is the large distribution centre/warehouse part of the market, the number of major project opportunities, especially for automated warehousing systems, has been severely limited since the global financial crisis. Major corporate customers have put on hold most plans for either new facilities or for automating existing facilities, as a cash conservation measure.

Until late in the financial year this pattern also appeared to be the case for the small and medium enterprise sector, but demand from that sector, which is serviced by Dexion's network of franchised supply centres, improved over the last quarter and activity continues to build momentum.

The industrial business in New Zealand benefited from activity that was a result of the Christchurch earthquakes as many companies were forced to replace racking that was terminally damaged. This provided a mid-year surge in demand in what was otherwise a relatively subdued market.

In the commercial office storage markets, large corporate refits or installations have been scarce and the majority of the underlying demand has been from the Australian government sector.

Like the Davey business, Dexion in 2010/11 operated in a time when a number of factors combined to have the effect of reducing demand for the businesses' products.

The financial effect of the various restructuring programs described above, when coupled with a return to more normal demand conditions and the growth potential offered by Asian markets in particular, should result in Dexion becoming a major contributor to GUD's growth profile and financial returns in future years.

DAVEY

Davey management

Carsten Andersen
Chief Executive Officer
Davey Water Products Pty Ltd

WATER PRODUCTS

REVIEW OF BUSINESS

Through its Davey brand GUD's Water Products business is Australia's leading supplier of water-related products, such as pumps, electronic controllers, salt water chlorinators and water treatment products to households, farms and community facilities.

The Davey brand has been active in the Australia market for over 75 years and has established an unsurpassed reputation with consumers, especially those in regional areas. In more recent times, through a number of strategic acquisitions, Davey has broadened and strengthened its product range and is now becoming well known amongst swimming pool owners and metropolitan householders.

Performance Summary

	2011 $'000	2010 $'000
Sales	107,299	131,016
Underlying Segment Profit	9,026	19,593
Segment Assets	96,584	92,438

As described in The Chairman and Managing Director's Review earlier in this Report, GUD's Water Products business faced sizeable external challenges that all worked to reduce demand for its product range. As a consequence sales declined and profits fell considerably.

This alignment and degree of negative influences was unique; during the year events in Davey's key markets included the Victorian and Queensland floods, Cyclones Anthony and Yasi and the two Christchurch earthquakes.

Although a stronger Australian dollar has a net benefit for the GUD group, the negative impact of this is keenly felt in Davey as it is the group's major exporting business. The reduction in export sales and gross profit margins as a consequence of the stronger currency compounded the effect of reduced domestic market demand on Davey's financial performance.

Conversely, after two years of re-positioning, through changing the emphasis of its approach to the market, Davey's business in New Zealand reported a strong profit result. This was due to a recovery in demand for commercial treatment water systems, after a period of slowdown.

The Christchurch earthquakes have had the effect of bolstering demand for some critical product lines, especially domestic water treatment products. It is expected that further activity will be generated across the water products range is 2011/12 as remediation and rebuilding works gather pace.

The Davey management team reacted capably to the challenges provided by the severe downturn in demand in the local market. Opportunities to reduce costs were identified early in the year as the demand prognosis deteriorated and these were actioned as the year progressed. In addition specific attention was given to ensuring the balance sheet remained tight as sales declined.

Along with all GUD businesses, Davey continually reviews its cost base to ensure that it remains competitive in every sector in which it competes. As a result of an internal review late in the previous financial year the decision was taken to close the spa products manufacturing facility at Albany on Auckland's north shore. Production of components has been outsourced to an assortment of qualified suppliers and an assembly of spa controllers has been incorporated into Davey's facility at Scoresby.

This restructuring, which incurred a cost of A$880,000, was completed late in the year and the full effect of the cost savings will be evident in future years. This activity provides Davey with more flexibility as the business becomes less fixed and more variable in its cost base. The overhead structure associated with the Albany factory disappears and the Scoresby factory becomes more productive by taking on the assembly activity.

One of Davey's key strengths in the local market is its dealer network. Through its Master Dealer program Davey leads the industry in support at the level where the dealer interacts with the consumer. This is especially important in rural and regional Australia and is becoming increasingly important in metropolitan Australia as Davey becomes more active in the swimming pool and rainwater harvesting market segments. Despite the prevailing market environment Davey initiated a program to ensure that representatives spent more time with dealers supporting them through this difficult period.

This was done at a time when competitors were trimming front line sales staff or reducing their 'face time' with dealers in an attempt to cut costs. Davey believes that the additional support provided to its dealer network during this most difficult period will ensure it remains in a strong position to capitalise on the eventual upturn in demand as weather conditions revert to more normal patterns.

GUD has consistently stated that it believes in a strong, sustainable future for the water products industry. As a consequence it has grown the business through three acquisitions completed since 2004. Late in the 2010/11 financial year Davey acquired its distributors of swimming pool products in France and Spain as further evidence of GUD's confidence in this industry, despite the climate cycles that shaped trading conditions.

The move into controlling its own European distribution provides a springboard for growth across the product range, not just for swimming pool equipment.

With this recent acquisition, with its established product range and its strength of distribution in both Australia and New Zealand and with the added growth potential from an extensive new product release program for 2011/12, Davey is well positioned to generate more traditional superior returns as demand recovers.

RYCO, WESFIL, GOSS

GUD Automotive management

Bob Pattison
Chief Executive Officer
GUD Automotive Pty Ltd

Terry Cooper
Managing Director
Wesfil Australia Pty Ltd

AUTOMOTIVE PRODUCTS

REVIEW OF BUSINESS

GUD's Automotive Products businesses compete in the Australian and New Zealand aftermarkets. These markets have become increasingly competitive and more complex as more brands compete in the market and as more vehicle brands and models appear.

GUD competes in the automotive filtration segment with the first and second brands, Ryco and Wesfil/Cooper respectively. The group also owns the Goss brand of aftermarket engine management system parts. Goss goes to market through the same distribution channels as Ryco.

Performance Summary

	2011 $'000	2010 $'000
Sales	82,115	81,642
Segment Profit	25,877	21,646
Segment Assets	33,570	31,963

Sales in the Automotive business grew by only 1% on the prior year's level to $82.1 million. Continued sales growth in Wesfil was the sole factor behind this result with Wesfil maintaining the sales growth momentum reported in the previous year.

Wesfil approaches the market differently from Ryco and in the current economic environment it appears that Wesfil's high levels of service and close-to-market structure is becoming increasingly accepted by automotive trade customers. Since the closure of National Parts, a major Australian parts wholesaler, Wesfil has filled much of the market void vacated by National Parts and has built from this expanded business base.

Wesfil's broader product offering – it sells other vehicle servicing consumable parts in addition to its core filtration range – and its national coverage with its network of seven branches, have positioned this business to compete very effectively in the current market environment.

The market leading brand Ryco has suffered from some of the same market factors that have been evident in Sunbeam's market, especially its customers' focusing more heavily on their housebrand offerings. Ryco has actively maintained its broadest-in-the-market product range in its core oil, air and fuel filtration ranges and has supplemented this by launching into cabin and transmission filter programs in recent years.

The Ryco brand retains an unsurpassed brand equity position with its target audience – automotive mechanics and workshop managers – in both Australia and New Zealand. Its standing in the market is reinforced by its sales strategies and by its continued investment in communicating the benefits of the brand through ongoing radio advertising campaigns in its key markets.

In the 2009/10 year the Goss business, which previously stood alone, was integrated with Ryco in Australia. This integration generated operational efficiencies and also resulted in renewed marketing activities to support and grow the brand. The potential for Goss to become a more significant brand in its segments is recognised and actions are now underway to ensure this occurs. Goss should be in a position to drive growth in Automotive outside of the traditional filtration segments in coming years.

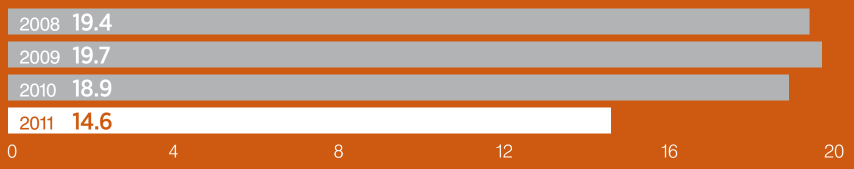
Automotive aftermarkets in both Australia and New Zealand are expected to remain extremely competitive. Despite an overabundance of brands currently offered to the market, each year sees either new entrants or continuing threat of new entrants.

By servicing the market through two distinct and different distribution approaches, GUD is well placed to counter these competitive threats. In addition, the strength of the Ryco and Wesfil/Cooper brands remains a major impediment to potential competition. Mechanics use GUD's products daily, they are comfortable with them and they appreciate the corporate backing behind these brands.

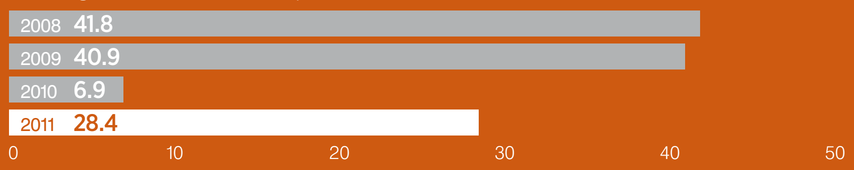
This strong brand platform, coupled with disciplined product quality practices, reliable supply sources, a diverse distribution profile and broad part number coverage, position both Ryco and Wesfil to continue to compete effectively and profitably in the automotive aftermarket in future years.

FINANCE REPORT

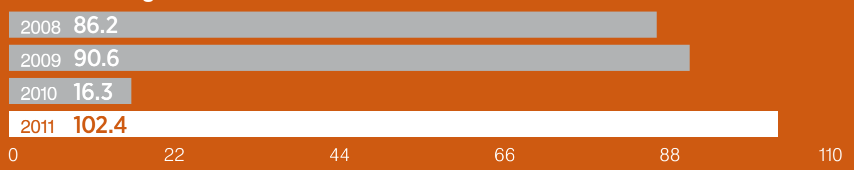
Working capital %



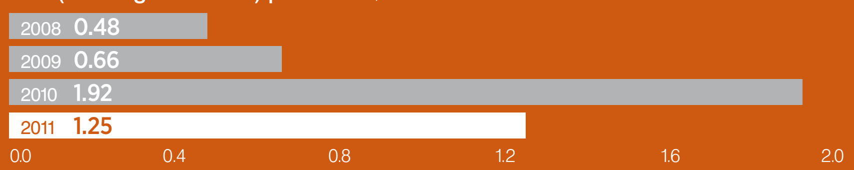
Gearing % net debt to total capital



Net Borrowings $ millions



NTA (net tangible assets) per share $



With the acquisition of Dexion for a cash consideration and associated capital management activity, the balance sheet of GUD has undergone considerable transformation during the year. Prior to Dexion and the GFC, GUD built a strong financial structure and the financing strategies completed during the current year have retained this strength as a platform for further acquisitions.

Late in the FY2010 year, an institutional capital raising of $39.3 million was completed and in FY2011 was supplemented by a Share Purchase Plan and continuation of the Dividend Reinvestment Plan, raising $14.9 million and $12.9 million respectively.

The result is a strong balance sheet which assisted the renewal of the GUD $100 million core debt facility to July, 2014 on favourable terms. It also provides a solid platform to undertake the significant restructuring commenced in Dexion.

The acquisition of Dexion and then Davey's European distributors later in the year, have had significant impact on GUD's cash flows, with $91.3 million in acquisition outflows and $12.3 million acquisition, integration and restructuring costs. The outcome is that the Company retains a healthy gearing ratio of 28.4% and interest cover (underlying EBIT/net interest) of 8.7 times.

During difficult trading conditions, GUD's traditional strength of cash flow and working capital management has held it in good stead with operating cash flow of $67.8 million, net of acquisition and restructuring costs ($78.2 million, 2010) and a year-end working capital to sales ratio of 14.6%. The financial operating structure of Dexion has assisted in this result.

The Company has continued its focus on financial risk management, hedging its exposure to foreign currencies in structures which assisted it to capture the Australian currency strength. The AUD commenced the year at US$0.85 and generally strengthened throughout the year to close at US$1.07.

Conservative capital measures and strong cash flows have underpinned GUD's continued increase in dividends. For the full FY2011, an interim dividend of 29 cents per share and a final dividend of 35 cents per share were declared, a total of 64 cents per share (which is an increase of 3% over FY2010).

Underlying earnings per share reduced from 76.5 cents to 71.7 cents as the result of additional capital issued. GUD considered FY2011 as a year of acquisition, investment and restructuring in Dexion, with an expectation that earnings per share would fall in the first year and then grow in the future as a result of the wide range of restructuring and capital equipment initiatives in Dexion. GUD has consistently commented that e.p.s. accretion will occur in the first full year of ownership in Dexion (FY2012) and this outlook has not changed.

The Company has also continued its medium term interest rate hedging program – cushioning it from the impact of several interest rate rises early in the year.

The strategic investment in Breville Group Limited has grown from its $18.2 million purchase price to $82.7 million ($53.7 million at June, 2010), bolstering GUD equity reserves.

FY2011 results were again driven by the GUD CVA (Cash Value Added) philosophy. CVA has been used unilaterally across the Group as the major KPI and incentive target, forcing businesses to reduce assets and maximise profits (and cash flow). CVA methodologies have now been imbedded throughout Dexion.

Despite tough conditions, the total GUD Group exceeded the GUD Weighted Average Cost of Capital and the annual CVA target.

CVA Return Summary FY2008 to FY2011[1]

	FY08 %	FY09 %	FY10 %	FY11 %
Consumer	17.1	17.6	19.0	21.8
Automotive	45.0	43.2	47.8	53.2
Water	11.2	12.3	15.6	9.2
Industrial	12.1	9.1	11.5	7.1
Group	16.5	16.9	19.7	17.1[2]

[1] Excluding acquisition, integration and restructuring costs.
[2] Excluding Dexion, CVA was 19.9%.

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, released in revised form in August 2007.

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 Charter, available to view in the corporate governance section of the Company's website at **www.gud.com.au**.

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 ten Directors.
- The Chairman of the Board should be an independent non-Executive Director.

The Board 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 four Non-Executive Directors (including the Chairman) and two Executive Directors (the Managing Director and Chief Executive, and the Finance Director). 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 page 36.

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 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 is 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 Directors' Interests and Benefits

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

1.5 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 June 2011, the Board adopted a Diversity Policy, a copy of which can be viewed in the Corporate Governance section of the Company's website.

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 2011 are set out as follows:

	Shares Held Beneficially 30/6/2011			
Directors	Own Name	Private Company/Trust	Total 30/6/2011	Total 30/6/2010
C K Hall	–	73,210	73,210	72,442
R M Herron	10,768	12,442	23,210	22,442
P A F Hay	2,893	–	2,893	1,939
M G Smith	–	5,560	5,560	–
I A Campbell	138,241	140,713	278,954	268,373
R J Wodson	1,963	46,436	48,399	43,751

2.1 Audit & Compliance Committee

R M Herron (Chairman), C K Hall, P A F Hay and M G Smith.

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

The Committee, by its charter, 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 statutory 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, Finance Director, Company Secretary, Group Financial Controller and representatives of the Company's statutory auditor are present for most of the proceedings.

The Company has a formal policy on auditor independence, which is kept under review, including processes adopted by the auditor and the Company to ensure independence is maintained.

Non-audit financial services that may be required by the Company have been reviewed. These services have been categorised into those that the statutory auditor:

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

The Committee sought and received representations from the statutory auditor as to various matters related to their independence, compliance with applicable professional standards, restrictions on their audit process and reporting to the Committee.

The statutory 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), C K Hall, R M Herron and M G Smith.

The Committee, by its charter, 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 26–33 includes further details on the Company's remuneration policy and its relationship to performance.

Details of the remuneration of Directors and Senior Executives for the year ended 30 June 2011 are set out in the Remuneration Report and in Note 21 on pages 62–63.

2.3 Nominations Committee

C K Hall (Chairman), R M Herron, P A F Hay and M G Smith.

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 members of the Nominations Committee must be Non-Executive Directors and a quorum is two. Presently, all members of the Nominations Committee are independent.

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 10 meetings during the year.

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

	Board		Audit & Compliance Committee		Remuneration Committee		Nominations Committee	
Directors	Held – a	Attended – b	Held – a	Attended – b	Held – a	Attended – b	Held – a	Attended – b
C K Hall	10	10	4	4	4	4	2	2
R M Herron	10	10	4	4	4	4	2	2
P A F Hay	10	10	4	4	4	4	2	2
M G Smith	10	10	4	4	4	4	2	2
I A Campbell	10	10						
R J Wodson	10	10						

a – Meetings held while a member. b – Meetings attended.

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 (and its committees) 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 2011 financial year, a performance evaluation was led by the Chairman. The purpose of the review was to assess strengths and weakness of the Board and committees, 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 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 2011 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 2011 financial year was reviewed by the Managing Director and by the Remuneration Committee in June 2011.

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.

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 26–33 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.

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 Finance Director, 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.

As an extension of the established IT disaster recovery programs, during the financial year all major businesses completed a program of preparing and implementing business continuity plans. These plans are of an operational nature and address the major risks in each business. Plans are required to be reviewed by businesses semi-annually with copies submitted to the corporate head office. The program will be extended to the recently acquired Dexion businesses during the current financial year.

4.3 Managing Director and Finance Director certifications

The Managing Director and Finance Director 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 risk management and internal compliance and control system is operating efficiently and effectively in all material respects; 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 Board has adopted a general policy on Corporate Governance, a Code of Conduct, and other policies and codes, which 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.

In addition, the Company has a general code of conduct, applying to all employees, including policies and standards on issues of business ethics and integrity, and reporting and investigating unethical practices.

Full details of the policies and codes may be found on the Company's website at www.gud.com.au.

The Board 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. There may be exceptional circumstances when dealing is permitted during a prohibited period. No such cases have occurred in the 2011 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.

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

The Company has continued its emphasis on health and safety in the workplace through the Group Occupational Health and Safety Steering Committee, with representatives from each division meeting monthly to review common policies and procedures and general matters relating to health and safety. This year we have included representatives of the Dexion businesses on the steering committee, and much focus has been on instilling the Company's culture, health and safety management and reporting requirements in those businesses. Our program now extends beyond Australia and New Zealand to include the Dexion operations in China and Malaysia.

Over the year the continuing GUD businesses persisted with reducing lost time injuries, achieving a reduction of 33%, down from 6 to 4. We do however continue to experience days lost, due in part to soft tissue injuries experienced in an ageing workforce. Some days lost relate to injuries sustained in previous years. Management is focusing its attention on the causes of such injuries, educating and training its workforce on how to avoid such injuries, and placing further emphasis on return to work programmes.

Businesses have been reporting for a number of years on four key positive (or lead) safety performance measures comprising percentage safety inspections completed as scheduled, percentage of reported hazards fixed or acted upon within 10 Business Days, the quarterly business safety plan on schedule and the percentage safety climate perception amongst employees. Management firmly believes that a focus on these and other lead indicators will assist in enabling businesses to improve and maintain the strong culture of health and safety responsibility amongst employees and management.

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.

5.4 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.

5.5 Continuous Disclosure and Communication with Shareholders

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 Programme, details of which are accessible in the Corporate Governance section on the Company's website.

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

The Annual Report is sent to all shareholders 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. 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 divisions have websites – see details on inside back cover of this 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**.

ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations

	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, 2.3, 3.1	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	Comply
	3.1.1 the practices necessary to maintain confidence in the Company's integrity;	5.1	Comply
	3.1.2 the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and	5.1	Comply
	3.1.3 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	5.1	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 measureable objectives for achieving gender diversity, and for the Board to assess annually both the objectives and progress in achieving them.	1.5	Comply

	ASX Principle	Reference[1]	Compliance
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.		Comply
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.		Comply
3.5	Companies should provide the information indicated in the guide to reporting on Principle 3.	5.1	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: • 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
4.4	The audit committee should have a formal charter.	2.1	Comply
4.5	Companies should provide the information indicated in the guide to reporting on Principle 4.	2.4	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.	5.5	Comply
5.2	Companies should provide the information indicated in the guide to reporting on Principle 5.	5.5	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.	5.5	Comply
6.2	Companies should provide the information indicated in the guide to reporting on Principle 6.	5.5	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.	4.2, 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.	4.3	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: • 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
8.3	Companies should provide the information indicated in the guide to reporting on Principle 8.	2.4 and Remuneration Report	Comply

[1] All references are to sections of this Corporate Governance Statement unless otherwise stated.

REMUNERATION REPORT

The Directors of the Company present the Remuneration Report prepared in accordance with section 300A of the *Corporations Act 2001* for the Company and the consolidated entity for the year ended 30 June 2011.

This Remuneration Report discloses the remuneration for key management personnel of the consolidated entity, including the Directors of the Company and the five most highly remunerated Executives of the Company and the consolidated entity.

The Company's remuneration strategy is designed to attract, retain and motivate appropriately qualified and experienced Directors and Senior Executives. Detail of the Company's remuneration strategy for the 2011 financial year is set out in this Remuneration Report.

This Remuneration Report forms part of the Directors' Report for the year ended 30 June 2011 and includes the transferable disclosure requirements of Accounting Standard AASB 124.

This Remuneration Report deals first with Non-Executive Directors' remuneration and then with Executive Directors' and Senior Executives' remuneration.

	Elements of Remuneration	Non-Executive Directors	Executive Directors	Senior Executives
Fixed Remuneration	Fees	•		
	Salary		•	•
	Superannuation	•	•	•
	Other Benefits		•	•
At-risk Remuneration	One Year Performance Bonus		•	•
	Three Year Performance Bonus		•	•
Post-employment	Notice periods and termination payments		•	•

Section 1 – Non-Executive Directors' Remuneration

Remuneration Policy

Fees and payments to Non-Executive Directors reflect the demands made on, and responsibilities of, Non-Executive Directors in performing their roles.

Fees payable to Non-Executive Directors are determined within the maximum aggregate amount that is approved by shareholders. The current maximum aggregate amount is $800,000, approved by shareholders at the 2008 Annual General Meeting.

The level of fees is reviewed annually by the Remuneration Committee, based on a recommendation from the Managing Director. 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 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.

The remuneration of the Non-Executive Directors is fixed and does not vary according to the performance of the Company.

Fees

The base fee was last increased with effect from 1 July 2010. For the year ended 30 June 2011, Non-Executive Directors' fees were $88,572 per annum. The Chairman, taking into account the greater time commitment required, received $221,376 per annum.

The Chairman of the Audit & Compliance Committee and the Chairman of the Remuneration Committee both receive an additional fee of $10,000 per annum in recognition of the greater time commitment those roles require.

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, each Director holds shares, either directly or indirectly, in the Company. Details of shareholdings may be found in the Corporate Governance Statement.

Retiring Allowance for Directors

In the past, the Company paid retiring allowances to Non-Executive Directors. On 23 June 2003, the Board resolved to cease offering retiring allowances for Non-Executive Directors appointed after that date.

The remaining Non-Executive Director who was appointed prior to June 2003 (Mr C K Hall) continues to be eligible to receive a retiring allowance under an agreement entered into at the date of his appointment.

On 22 May 2007, the Board resolved to freeze the retiring allowances to be paid to Directors at the amount accrued to 30 June 2007.

The accrued and frozen retiring allowance benefit for Mr Hall is $451,375. This amount will be paid out to Mr Hall on his eventual retirement.

Superannuation

The Company pays statutory superannuation in relation to its 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 2011 are set out in the table below.

Non-Executive Directors	Year	Short-term Employee Benefits Directors' Fees $	Post-employment Benefits Superannuation* $	Retirement[2] $	Total $
C K Hall (Chairman)	2011	221,376	19,924	–	241,300
	2010	210,834	18,975	–	229,809
P A F Hay	2011	98,572	8,871	–	107,443
	2010	84,354	7,592	–	91,946
R M Herron	2011	98,572	8,871	–	107,443
	2010	94,354	8,492	–	102,846
M G Smith	2011	88,572	7,971	–	96,543
	2010	84,354	7,592	–	91,946
G D W Curlewis[1]	2011	–	–	–	–
	2010	42,177	3,796	–	45,973
Total Remuneration of Non-Executive Directors	2011	507,092	45,637	–	552,729
	2010	516,073	46,447	–	562,520

*Superannuation contributions on behalf of Non-Executive Directors to satisfy the Company's obligations under applicable Superannuation Guarantee legislation, plus any elected sacrifice of fees to superannuation.
[1] Mr G D W Curlewis retired as a Director on 31 December 2009.
[2] Retirement benefits were accrued in previous financial years.

Section 2 – Executive Directors' and Senior Executives' Remuneration

The disclosures in this section relate to the Executives listed below, being the Executive Directors and the Senior Executives with authority and responsibility for planning, directing and controlling the activities of the Company and the consolidated entity during the financial year. This group of Executives includes the five most highly remunerated Company and consolidated entity Executives during the financial year.

Executive Director/Senior Executive/ Company Secretary	Position	Company
I A Campbell	Managing Director	GUD Holdings Limited
R J Wodson	Finance Director	GUD Holdings Limited
D Jackson	Chief Executive	Sunbeam Corporation Ltd
D Birch	Chief Executive	E D Oates Pty Ltd
R Pattison	Chief Executive	GUD Automotive Pty Ltd
P Farmakis[1]	Managing Director	Dexion Limited
C Andersen	Chief Executive	Davey Water Products Pty Ltd
T Cooper	Managing Director	Wesfil Australia Pty Ltd
M Tyler	Company Secretary	GUD Holdings Limited

[1] Dexion joined the GUD Group on 1 September 2010.

Remuneration Policy

The Remuneration Committee of the Board is responsible for establishing the remuneration strategy and structure for the Company's Executive Directors and Senior Executives.

The Remuneration Committee, as part of an annual review that considers performance-related elements, comparative remuneration and independent advice, reviews all Executive Remuneration.

The Company's Executive reward program is designed to ensure reward for performance is competitive and appropriate for the results delivered, and to attract and retain appropriately qualified and experienced Executives. The program provides significant potential for short-term and three-year performance bonus rewards based on Company, business unit and individual performance.

The compensation framework provides a mix of fixed and variable remuneration, and one-year and three-year performance bonuses. Most Senior Executives have a significant proportion of their remuneration 'at risk'. Mr Farmakis, who joined the Company with the acquisition of Dexion Limited in September 2010, will participate in performance bonuses from 1 July 2011.

The short-term and three-year performance bonus programs are cash-based reward schemes. They do not involve the grant of shares or other equity instruments to Executives. The one-year performance bonus program delivers annual cash bonuses based on satisfaction of an internal performance target that measures absolute performance of the Company. The Company's three-year performance bonus program delivers a cash bonus based on satisfaction of a comparative performance target measured over a three-year performance period. Further details regarding both programs are outlined below.

No Executive Director or other Senior Executive participates in any decision relating to his or her own remuneration.

Company Performance and Shareholder Wealth

There follows a table summarising key Company performance and shareholder wealth statistics for the Company over the past five years.

The Company's operating performance has been solid and consistent, delivering a high fully franked dividend yield. The Company has delivered superior Total Shareholder Returns (TSR), ranking above the 70th percentile in a comparator group of small industrial companies, independently compiled and measured.

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 Executives are focused on both maximising short-term operating performance and long-term strategic growth. This has contributed to the Company generating increased shareholder returns, as set out in the table below.

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 Executive team.

Financial Year	EBIT* $m	EPS* Cents	Total DPS Cents	Share Price $	Dividend yield %
30 June 2007	60.2	60.2	61.0	9.18	6.6
30 June 2008	68.4	69.6	68.0	7.57	9.0
30 June 2009	60.8	64.5	60.0	6.42	9.3
30 June 2010	71.6	76.5	62.0	8.65	7.2
30 June 2011	77.1	71.7	64.0	9.10	7.0

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

Components of Remuneration

The Executive remuneration framework has three components:

- fixed remuneration;
- short-term performance incentives; and
- long-term shareholder return-linked performance incentives.

These, together with certain minor non-cash benefits, comprise the total remuneration paid to key management personnel.

The relative proportion of Executive Directors' and Senior Executives' total remuneration packages that is performance-based is set out in the table below.

	% of Total Target Compensation (annualised)		
FY2011	Fixed Remuneration	Performance-based Remuneration (at target)	
Executive Directors		STI	LTI
I A Campbell	66.4	15.5	18.1
R J Wodson	63.0	21.1	15.9
Senior Executives			
D Jackson	71.6	19.9	8.5
D Birch	71.9	19.7	8.4
R Pattison	72.1	19.6	8.3
P Farmakis[1]	100.0	0	0
C Andersen	71.7	19.8	8.5
T Cooper	72.2	19.5	8.3
Company Secretary			
M Tyler	68.6	22.0	9.4

[1] Mr Farmakis, who joined the Company with the acquisition of Dexion Limited in September 2010, will participate in performance bonuses from 1 July 2011.

Fixed Remuneration

The remuneration packages for all Executive Directors and Senior Executives contain a fixed amount that is not performance linked. It generally consists of salary and vehicle entitlement, as well as employer contributions to superannuation funds.

Fixed remuneration for Senior Executives is determined by the scope of their respective positions, and the knowledge, experience and skills required to perform their roles. Independent consultants provide analysis and advice to ensure the package is competitive in the market with comparable roles.

The Remuneration Committee, through a process that considers individual, business unit and overall performance of the Company, reviews package levels 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.

Variable Performance-linked Remuneration

Performance-linked remuneration includes both short-term and long-term components, and is designed to reward Executive Directors and Senior Executives for their business unit or the Company meeting or exceeding financial targets. Both the short-term and three-year performance bonuses are provided in the form of cash (not shares or other equity instruments) and are 'at risk' bonuses.

The amount of performance-linked remuneration paid to an Executive is determined based on the Executive's performance against set targets and is governed by set plan rules.

One Year Performance Bonus (STI)

The Company's Cash Value Added (CVA) scheme provides an annual cash bonus for meeting or exceeding an agreed CVA target and is paid following the announcement of the Company's year-end results. The CVA target for each business unit and the Company overall is established each year by the Board. The Company's Executives receive an STI bonus payment where the Company meets its CVA target and, in the case of divisional Executives, their STI potential is linked to the CVA target for their business unit.

CVA measures the return on un-depreciated and unamortised net assets invested. CVA has been effective because it is the measurement that most closely compares trading profit performance, being reported profit adjusted for non-recurring items, with un-depreciated and unamortised net assets invested. The Board has selected CVA as an appropriate annual performance measure as it considers that it measures a true level of performance of the business without the distorting effect of financing decisions or accounting charges such as depreciation and amortisation.

The CVA STI is calculated with reference to salary. When the agreed CVA target is exceeded, the CVA STI bonus payment increases up to a ceiling of 150% of the base CVA incentive rate upon achieving 120% of CVA target. No STI bonus is paid where CVA falls below the CVA target.

The CVA STI for target performance varies from 24.9% of salary for the Managing Director, 40.0% of salary for the Finance Director, to 35.0% of salary for divisional Executives.

STI	% of Salary* Threshold and Target Performance	Stretch Performance
Executive Directors		
I A Campbell	24.9	33.2
R J Wodson	40.0	60.0
Senior Executives		
D Jackson	35.0	52.5
D Birch	35.0	52.5
R Pattison	35.0	52.5
C Andersen	35.0	52.5
T Cooper	35.0	52.5
Company Secretary		
M Tyler	35.0	52.5

* Refer to Salary and Fees column in the table at the end of this Remuneration Report.

The Remuneration Committee and the Board approve the cash bonuses, determined in accordance with the plan rules.

Details of the CVA STI bonuses payable to the Executive Directors and Senior Executives for the year ended 30 June 2011 are set out in the table at the end of this Remuneration Report.

Three Year Performance Bonus (LTI)

By making the Executive's reward dependent upon the Company's TSR relative to a comparator group, the Three Year Performance Bonus component of the Executive's financial rewards is aligned with the rewards of shareholders.

The Three Year Performance Bonus is provided as a cash reward consisting of tranches covering rolling three-year measurement periods. There is a phasing-in of one-year and two-year measurement period tranches for Executives as they are introduced to the incentive scheme.

A bonus is paid where the Company'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 a maximum of 150% of the target incentive rate upon the Company TSR equalling or exceeding the 75th percentile of the comparator group. In assessing whether the Three Year Performance Bonus hurdle for the Company has been met, the Remuneration Committee receives independent data.

The comparator group is the Standard and Poor's ASX Small Ordinaries index, of which the Company 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 Company for capital and employees.

The Three Year Performance Bonus (LTI) vests in accordance with the table below:

The Three Year Performance Bonus payment that Executives receive for target performance varies from 29% of salary for the Managing Director, 30.0% of salary for the Finance Director, to 15.0% of salary for corporate and divisional Executives.

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

The Remuneration Committee considers that the Company's Three Year Performance Bonus incentive structure is appropriate, as Executives only receive a benefit where there has been a corresponding direct benefit to shareholders.

TSR Target	% of Three Year Performance Bonus that vests in a given period
TSR below 50th percentile	Nil
TSR at 50th percentile	100
TSR between 50th and 75th percentile	Progressive vesting from 100 to 150
TSR at 75th percentile and above	150

Current Year Performance

One Year Performance Bonus

In the current year, the following businesses in the consolidated entity exceeded CVA targets: Sunbeam, GUD Automotive, Oates and Wesfil. 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, Finance Director and Company Secretary, received a bonus.

STI bonus payable for the Year Ended 30 June 2011	Actual STI bonus payment* $	Actual STI bonus payment as a % of maximum STI	Forfeited %
Executive Directors			
I A Campbell	310,169	77.5	22.5
R J Wodson	168,135	70.0	30.0
Senior Executives			
D Jackson	141,568	84.9	15.1
D Birch	130,200	100.0	Nil
R Pattison	142,590	100.0	Nil
C Andersen	Nil	Nil	100.0
T Cooper	115,500	100.0	Nil
Company Secretary			
M Tyler	97,834	70.0	30.0

* A minimum level of performance must be achieved before any STI bonus is payable.

The payment relates to STI bonus earned in the year ended 30 June 2011 and paid in July 2011.

Three Year Performance Bonuses

Three Year Performance Bonuses were achieved for all three 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 2011)	Prior Year (to 30 June 2010)
1 Year Tranche	60th percentile	70th percentile
2 Year Tranche	72th percentile	77th percentile
3 Year Tranche	84th percentile	92nd percentile

Three Year Performance Bonus (LTI) paid for the Year Ended 30 June 2011	Maximum LTI payment* $	Payable %	Forfeited %
Executive Directors			
I A Campbell	625,000	100.0	Nil
R J Wodson	180,000	100.0	Nil
Senior Executives			
D Jackson	71,460	100.0	Nil
D Birch	55,800	100.0	Nil
R Pattison	61,110	100.0	Nil
C Andersen	72,225	96.0	4.0
T Cooper	49,500	100.0	Nil
Company Secretary			
M Tyler	59,850	100.0	Nil

* The payment relates to Three Year Performance Bonus earned in the year ended 30 June 2011 and paid in July 2011.

Employment Contracts

Executive Director – Managing Director

During the course of the financial year the Company entered into a new employment contract with the Managing Director, Mr Ian Campbell. The essential terms of that contract were released to the market on 18 February 2011. In summary, they are:

- the contract is for a minimum term of three years (to 1 July 2013) terminable thereafter by either party giving six months' notice to the other (except where the contract is terminated for cause);
- on termination otherwise than for cause, Mr Campbell is entitled to a payment of an amount that is equal to his average annual base salary for the three years up to termination;
- GUD may not elect to pay Mr Campbell in lieu of part or all of the six-month notice period;
- Mr Campbell's maximum STI opportunity for financial year ending 30 June 2011 is $400,000 ($300,000 at target);
- Mr Campbell's maximum LTI opportunity for financial year ending 30 June 2011 is $625,000 ($350,000 at target); and
- Mr Campbell's total fixed remuneration for financial year ending 30 June 2011 is $1,205,000 (which includes superannuation and other benefits).

Executive Director – Finance Director

The Finance Director, Mr Roger Wodson, has entered into an employment contract with the Company, expiring on 31 December 2011. The contract may be terminated by the Company giving three months' notice in writing or, in the case of termination by the Finance Director, six months' notice in writing.

Should the Company terminate early the employment of the Finance Director (other than for cause), a maximum termination payment equivalent to 12 months' total annual package is payable, subject to the Corporations Act.

In the event that the Company determines not to renew the appointment of the Finance Director at the end of the contract period, an amount equal to the total annual package applicable at the date of the notice is payable to him, subject to the Corporations Act.

Other Senior Executives

In general, it is the Company's policy that service contracts for Senior Executives are unlimited in term, but capable of termination on one month's notice. Mr T Cooper's service contract requires 12 months' notice of termination. The Company retains the right to terminate the contract immediately by making a payment equal to the required payment in lieu of notice.

In addition, Executive Directors and Senior Executives are entitled to receive on termination of employment their statutory entitlements of accrued annual and long service leave, together with superannuation benefits.

Remuneration levels are reviewed each year, effective 1 July, and take into account cost of living adjustments, changes in the scope of the role and changes to meet competitive market forces.

Remuneration Paid

Details of the remuneration and benefits paid or provided to Executive Directors and Senior Executives (and the Company Secretary) during the year are included in the table adjacent.

		Short–term employee benefits					Post-employment Benefits		Total	Proportion of total which is performance-related
	Year	Salary & Fees $	STI Cash Bonus $	LTI Cash Bonus $	Income Protection Premium $	Car Benefits $	Superannuation $	Retirement $	$	%
Executive Directors										
I A Campbell	2011	1,154,996	310,169	625,000	3,512	91,451	44,962	–	2,230,090	41.9
	2010	888,239	240,391	446,969	3,512	52,893	45,211	–	1,677,215	41.0
R J Wodson	2011	422,000	168,135	180,000	818	25,773	50,000	–	846,726	41.1
	2010	479,736	188,808	170,325	3,512	24,074	50,000	–	916,455	39.2
Senior Management										
D Jackson	2011	317,601	141,568	71,480	767	24,000	57,163	–	612,579	34.8
	2010	288,750	101,417	64,969	767	–	51,975	–	507,878	32.8
D Birch	2011	248,000	130,200	55,800	–	24,200	44,640	–	502,840	37.0
	2010	230,000	86,250	51,750	–	22,910	41,400	–	432,310	31.9
R Pattison	2011	282,041	142,590	61,110	2,710	26,061	48,888	–	563,400	36.2
	2010	251,450	94,294	56,576	2,706	18,929	46,219	–	470,174	32.1
P Farmakis (Joined GUD Sept 2010)	2011	490,000	–	–	640	–	25,000	–	515,640	–
	2010									
C Andersen (Apptd Aug 2009)	2011	321,000	–	69,336	767	22,985	57,580	–	471,668	14.7
	2010	262,692	75,146	54,888	–	17,145	47,285	–	457,156	28.4
T Cooper	2011	220,000	115,500	49,500	2,107	–	63,300	–	450,407	36.6
	2010	195,230	70,270	43,919	2,101	–	58,841	–	370,361	30.8
Total Remuneration of Executive Directors and Senior Executives of the Group including the Company										
	2011	3,455,638	1,008,162	1,112,226	11,321	214,470	391,533	–	6,193,350	
	2010	2,630,479	856,576	889,396	12,598	150,920	347,497	–	4,887,466	
Total Remuneration of Non-Executive Directors										
	2011	507,092					45,637	–	552,729	
	2010	516,073	–	–	–	–	46,447	–	562,520	
Total Remuneration (Compensation of Key Management Personnel of the Company and Group)										
	2011	3,962,730	1,008,162	1,112,226	11,321	214,470	437,170	–	6,746,079	
	2010	3,146,552	856,576	889,396	12,598	150,920	393,944	–	5,449,986	
Remuneration of Company Secretary										
M G Tyler	2011	214,951	97,834	59,850	1,593	25,000	50,000	–	449,228	35.1
	2010	206,470	86,134	54,392	1,420	33,000	25,000	–	406,416	34.6

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 2011.

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, age, experience and special responsibilities are set out on page 36. The qualifications and experience of the Company Secretary is also set out on page 36.

Details of Directors' meetings and Board Committees, including attendances are on page 22 and Directors' interests in the Company on page 21.

Corporate Governance Statement

The Corporate Governance Statement of the Directors contained on pages 20–25 is incorporated by reference.

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, there were no significant changes in the nature of the activities of the consolidated entity during the year.

Review of Operations and Results

A review of the operations of the consolidated entity during the financial year and the results of those operations are set out on pages 2–17 of this Annual 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.

Dexion Acquisition

On 1 September 2010, the consolidated entity completed the acquisition of 100% of the shares of Dexion Limited, the parent company of the Dexion Group, a manufacturer of warehouse racking, industrial storage solutions and office storage products. The acquisition was for a cash consideration of $84.1 million plus acquisition costs of $2.2 million.

MPSE/MPSI Acquisition

On 1 June 2011, the consolidated entity completed the acquisitions of 100% of the shares of Monarch Pool Systems Europe (MPSE) and Monarch Pool Systems Iberica (MPSI), distributors of Davey's pool products in France and Spain respectively. The acquisitions were for a total cash consideration of $7.2 million plus acquisition costs of $0.2 million.

Events after Balance Date

Dividend Announcement

On 28 July 2011, the Directors declared a fully franked dividend of 35 cents per ordinary share. Shares will trade ex dividend on 24 August 2011, with the record date of 30 August 2011. The dividend will be paid on 14 September 2011. The GUD Dividend Reinvestment Plan remains active for this dividend. Terms and conditions are outlined in Note 5 to the financial statements on page 51.

Likely Developments

Likely developments in, and expected results of, the operations of the consolidated entity in subsequent years are referred to on page 4 in this Report.

The consolidated entity will continue to pursue its policy of increasing the profitability and market share of its major business sectors in the next financial year.

Further information as to likely developments in the operations of the consolidated entity would be likely to result in unreasonable prejudice to the consolidated entity and has not, therefore, been included in this Report.

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 34 cents per share in respect of the year ended 30 June 2010 was declared on 26 July 2010 and paid on 30 September 2010, amounting to $23,019,000. This final dividend was fully franked.
- An interim ordinary dividend of 29 cents per share in relation to the year ended 30 June 2011 was declared on 27 January 2011 and paid on 9 March 2011, amounting to $19,844,000. This dividend was fully franked.
- A final ordinary dividend of 35 cents per share in respect of the year ended 30 June 2011 was declared on 28 July 2011 payable on 14 September 2011 to shareholders registered on 30 August 2011. This dividend will be fully franked.

Share Capital

At 30 June 2011, there were 69,089,611 ordinary shares on issue. During the year the Company issued 1,385,902 new shares under the GUD Dividend Reinvestment Plan and 1,818,496 new shares in the 2010 Share Purchase Plan.

Auditor Independence

There is no 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 77 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.

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

Options

No options were granted during the year and no options have been granted since the end of the financial year. No options were exercised during the financial year.

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, foreign exchange and commodity price 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 26–33, 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 26–33, 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.

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*.

C K Hall
Chairman of Directors

I A Campbell
Managing Director

Dated at Melbourne,
28 July 2011

BOARD OF DIRECTORS

C K Hall*
B Sc. (Metallurgy), B Com, MBA, FCPA, FAICD (Age 69)

Non-Executive Director since 13 September 1999. Appointed Chairman on 27 April 2004.

Chairman of Nominations Committee.

Mr Hall is a Director and Past President of the Royal Automobile Club of Victoria (RACV) Ltd, a Director of Club Assist Corporation Pty Ltd and retired as Chairman of Victorian Energy Networks Corporation on 30 June 2009.

Mr Hall has held senior executive positions in investment and merchant banking, including Managing Director of National Australia Ltd. between 1985 and 1993 and was Chairman of the International Banks and Securities Association between 1990 and 1992.

P A F Hay*
LLB FAICD (Age 61)

Appointed Non-Executive Director on 26 May 2009.

Appointed Chairman of the Remuneration Committee on 22 June 2010.

Mr Hay is currently Chairman of the Advisory Board at Lazard in Australia. He is also a Director of Alumina Limited (since December 2002), Australia and New Zealand Banking Group Limited (since October 2008), NBN Co Limited (since August 2009) and Myer Holdings Limited (since February 2010).

Mr Hay is a Director of Landcare Australia Limited and Epworth Foundation, and is a member of the Australian Government Takeovers Panel (since May 2009).

Mr Hay is a former Director of Pacifica Group (retired May 2008).

R M Herron*
FCA FAICD (Age 61)

Appointed Non-Executive Director on 17 June 2004.

Appointed Chairman of Audit & Compliance Committee on 17 June 2004.

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

Mr Herron is also a Non-Executive Director of the Royal Automobile Club of Victoria (RACV) Ltd (since July 2007), Select Harvests Limited (since January 2005), Customers Limited (since October 2010) and a major industry superannuation fund.

Mr Herron is a former Director of Heemskirk Consolidated Limited (retired February 2011).

M G Smith*
Dip. Business (Marketing) FAMI CPM FAIM MAICD (Age 56)

Appointed Non-Executive Director on 26 May 2009.

Mr Smith is a Non-Executive Director of Toll Holdings Limited (since July 2007) and was appointed Chairman of Food Holdings Pty Ltd (Manassen Foods Group) in February 2010.

Mr Smith is a former Managing Director of Cadbury Schweppes Australia and New Zealand (2003 to 2007) and a Member of the Asia Pacific Regional Board, a former Managing Director of Confectionery ANZ and prior to that, three years as Director of Marketing for Cadbury Trevor Bassett in the UK and senior roles in Cadbury Schweppes' North American operations.

Mr Smith is a former Chairman of the Confectionery Manufacturers of Australasia and former Member of the Board of the Australian Food and Grocery Council.

I A Campbell
FAICD (Age 61)

Appointed Managing Director on 5 October 1998.

Mr Campbell was appointed a Non-Executive Director of Mirrabooka Investments Limited on 15 November 2007. He is also Vice-President of Ai Group (Vic.) and former Managing Director of Pacific Dunlop Cables Group.

R J Wodson
FCPA FAICD (Age 65)

Appointed Finance Director on 25 June 2001.

Mr Wodson was appointed Chief Financial Officer of GUD on 1 February 2000.

Former Chief Financial Officer of Bunge Defiance Group.

* All Non-Executive Directors are independent.

Company Secretary: M G Tyler
LLB BCom (Hons) MBA ACIS

Appointed Company Secretary on 18 November 2005.

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 25 years.

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2011

	Note	2011 $'000	2010 $'000
Revenue	2a	596,427	476,601
Cost of goods sold		(356,118)	(271,997)
Gross Profit		240,309	204,604
Other income	2b	377	901
Marketing and selling		(65,828)	(56,078)
Product development and sourcing		(8,261)	(6,839)
Logistics expenses and outward freight		(50,300)	(37,260)
Administration		(37,677)	(30,909)
Acquisition, integration and restructuring costs	2c	(12,299)	–
Other		(1,545)	(2,848)
Results from operating activities		64,776	71,571
Net finance expense	2c	(8,907)	(6,416)
Profit before income tax		55,869	65,155
Income tax expense	3	(16,213)	(18,794)
Profit for the period		39,656	46,361
Earnings per share:			
Basic earnings per share (cents per share)	27	58.1	76.5
Diluted earnings per share (cents per share)	27	58.1	76.5

Notes to the consolidated financial statements are annexed.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2011

	2011 $'000	2010 $'000
Profit for the period	39,656	46,361
Other comprehensive income		
Exchange differences on translating results of foreign operations	(1,014)	175
Fair value adjustments transferred to cash flow hedge reserve	(5,824)	4,216
Net change in fair value of cash flow hedges transferred to inventory	(528)	7,513
Fair value adjustment of available for sale asset	29,085	30,464
Income tax on other comprehensive income	(6,820)	(12,658)
Other comprehensive income for the period, net of income tax	14,899	29,710
Total comprehensive income for the period	54,555	76,071

Notes to the consolidated financial statements are annexed.

CONSOLIDATED BALANCE SHEET

As at 30 June 2011

	Note	2011 $'000	2010 $'000
Current assets			
Cash and cash equivalents	6	16,081	25,472
Trade and other receivables	7	85,188	66,212
Other assets	8	7,902	5,875
Inventories	9	103,190	77,294
Total current assets		212,361	174,853
Non-current assets			
Other financial assets	10	83,324	54,223
Property, plant and equipment	11	32,122	18,220
Deferred tax assets	3b	2,086	448
Goodwill	12	106,794	43,872
Other intangible assets	13	64,618	47,984
Total non-current assets		288,944	164,747
Total assets		501,305	339,600
Current liabilities			
Trade and other payables	14a	82,996	45,277
Borrowings	15a	6,642	873
Current tax payables		723	7,354
Provisions	16a	21,567	12,663
Total current liabilities		111,928	66,167
Non-current liabilities			
Borrowings	15b	111,509	40,854
Other financial liabilities	14b	426	455
Deferred tax liabilities	3b	16,391	12,593
Provisions	16b	3,407	1,413
Total non-current liabilities		131,733	55,315
Total liabilities		243,661	121,482
Net assets		257,644	218,118
Equity			
Share Capital	17	170,063	142,229
Reserves	18	43,736	28,837
Retained earnings		43,845	47,052
Total equity		257,644	218,118

Notes to the consolidated financial statements are annexed.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2011

	Note	2011 $'000	2010 $'000
Retained Earnings			
Retained earnings at the beginning of the year		47,052	37,484
Profit for the period		39,656	46,361
Dividends paid	5	(42,863)	(36,793)
Retained earnings at the end of the year		43,845	47,052
Reserves			
Foreign Currency Translation Reserve:			
Balance at the beginning of the year		(444)	(619)
Exchange differences on translating foreign operations		(1,014)	175
Balance at the end of the year		(1,458)	(444)
Cash Flow Hedge Reserve:			
Balance at the beginning of the year		4,446	(3,764)
Fair value adjustments transferred to equity – net of tax		(4,077)	2,951
Amounts transferred to inventory – net of tax		(369)	5,259
Balance at the end of the year		–	4,446
Available for Sale Asset Revaluation Reserve:			
Balance at the beginning of the year		24,835	3,510
Fair value adjustment – net of tax		20,359	21,325
Balance at the end of the year		45,194	24,835
Reserves at the end of the year		43,736	28,837
Share Capital			
Share capital at the beginning of the year – 65,885,213 (1 July 2009 – 60,124,261) fully paid shares		142,229	94,505
Dividend reinvestment plan	17	12,921	8,491
Share placement	17	–	39,233
Share purchase plan	17	14,913	–
Share capital at the end of the year – 69,089,611 (30 June 2010 – 65,885,213) fully paid shares		170,063	142,229
Total equity		257,644	218,118
Total Equity Summary			
Balance at the beginning of the year		218,118	131,116
Profit for the period		39,656	46,361
Other Comprehensive Income		14,899	29,710
Total Comprehensive Income		54,555	76,071
Owner transactions			
Dividend reinvestment plan		12,921	8,491
Share placement		–	39,233
Share purchase plan		14,913	–
Dividends paid		(42,863)	(36,793)
Total transactions with owners		(15,029)	10,931
Balance at the end of the year		257,644	218,118

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 2011

	Note	2011 $'000	2010 $'000
Cash flows from operating activities			
Receipts from customers		652,373	518,743
Payments to suppliers and employees		(561,673)	(422,824)
Income taxes paid		(22,903)	(17,733)
Net cash provided by/(used in) operating activities	23	67,797	78,186
Cash flows from investing activities			
Payments for property, plant and equipment		(7,613)	(4,959)
Proceeds from sale of property, plant and equipment		104	497
Payments for intangible assets and product development costs		(5,354)	(4,124)
Dividends received from listed security investment		3,636	1,880
Acquisitions	30	(91,327)	–
Acquisition of business assets		–	(2,402)
Net cash provided by/(used in) investing activities		(100,554)	(9,108)
Cash flows from financing activities			
Net proceeds/(repayments) of borrowings		46,425	(65,332)
Net proceeds of share issues		14,913	39,361
Interest received		440	429
Interest paid		(8,151)	(5,965)
Dividends paid		(29,942)	(28,302)
Net cash provided by/(used in) financing activities		23,685	(59,809)
Net increase in cash held		(9,072)	9,269
Cash at the beginning of the year		25,472	16,206
Overdraft acquired from acquisitions		62	–
Effects of exchange rate changes on the balance of cash held in foreign currencies		(381)	(3)
Cash at the end of the year		16,081	25,472
Reconciliation of net cash at the end of the year			
Cash at bank and on hand	6	16,081	25,472
		16,081	25,472

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 company domiciled in Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2011 comprise the Company and its subsidiaries (together referred to as the 'Consolidated Entity').

Basis of Preparation

Statement of compliance

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

The consolidated financial statements were authorised for issue by the Directors on 28 July 2011.

Basis of measurement

The consolidated financial statements have been prepared on the basis of historical cost, except for derivative financial instruments and available for sales assets 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 and the functional currency of the majority of the Consolidated Entity.

Use of estimates and judgments

In the preparation of the consolidated financial statements, the Directors are required to make judgments, 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 judgments. 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 judgments in applying accounting policies that have the most significant effect 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 127 Consolidated and Separate Financial Statements. A list of subsidiaries appears in Note 19 to the consolidated financial statements.

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

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 or 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.

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 weighted 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. Goodwill arising on acquisitions before the date of transition to Australian equivalents of IFRS is treated as an Australian dollar denominated asset.

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.

Dividend and finance income

Dividend income is recognised when the right to receive payment is established. Finance income is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

e. Finance expense and dividends

Finance expense and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments. Finance expenses are recognised on an effective interest basis.

1. Summary of accounting policies
continued

f. Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity, 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.

Investments

Investments in subsidiaries are recorded at cost less impairment, where identified.

Available for sale assets are measured at fair value in accordance with AASB 139, based on the quoted share price at each reporting date. The changes in fair value are recognised directly in a separate component of equity.

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. Borrowing costs are expensed as incurred.

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 asset.

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 (as obtained from the financial institution counterparty) 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 for the period

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 tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by 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 liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Consolidated Entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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.

h. Impairment of property, plant, equipment and intangible assets

At each reporting date, the Consolidated Entity reviews the carrying amounts of its property, plant, equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset (or cash generating unit) is estimated in order to determine the extent of the impairment loss (if any). Where the asset (or cash generating unit) does not generate cash inflows that are independent from other assets, the Consolidated Entity estimates the recoverable amount of the cash generating unit to which the asset belongs.

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use, are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed. 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 cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash generating unit) 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 (cash generating unit) 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 (cash generating unit) in prior years. A reversal of an impairment loss is recognised in the income statement immediately.

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 which 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 which 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:

- Buildings
  25 to 40 years
- 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 3 years.

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).

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.

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

Intangible assets acquired in a business combination

All identified intangible assets acquired in a business combination are recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair value can be measured reliably.

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 which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the 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.

o. Provisions

Provisions are recognised when 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 not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2010, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except for IFRS 9 Financial Instruments, which becomes mandatory for the Group's 2014 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

2. Profit from operations

	2011 $'000	2010 $'000
a. Revenue		
Sale of goods	592,791	474,721
Dividends received from investment in listed security	3,636	1,880
Total revenue	596,427	476,601
b. Other income		
Other	377	901
	377	901
c. Expense disclosures		
Profit before income tax has been arrived at after charging the following expenses:		
Write-down in value of inventories to net realisable value	174	204
Loss/(profit) on sale of plant and equipment	1,947	(275)
Operating lease rental expense: Minimum lease payments	18,204	11,427
Net foreign exchange (gain)/loss	(4,733)	8
Employee benefits:		
Wages and salaries (including on-costs)	94,763	66,140
Contributions to defined contribution plans	7,526	4,497
Movements in provisions for employee benefits	5,829	(625)
Depreciation and amortisation:		
Depreciation of plant and equipment	8,056	5,780
Depreciation of leased plant and equipment	223	353
Amortisation of product development costs	4,148	4,280
Amortisation of other intangibles	1,422	467
Total depreciation and amortisation	13,849	10,880
Product development costs:		
Expensed directly to income statement	8,261	6,839
Amortisation of product development costs	4,148	4,280
Total product development sourcing and amortisation	12,409	11,119
Acquisition, integration and restructuring costs:		
Acquisition costs	2,344	–
Integration and restructuring costs	9,955	–
Acquisition, integration and restructuring costs	12,299	–
Net finance costs:		
Finance income	(440)	(429)
Finance expense	9,347	6,845
Net finance expense	8,907	6,416

The ineffective portion of cashflow hedges that is recognised in the income statement is nil (2010: nil).

3. Taxation

	2011 $'000	2010 $'000
a. Income tax expense recognised in profit		
Prima facie income tax expense calculated at 30% (2010: 30%) on profit	16,761	19,547
Increase/(decrease) in income tax expense due to		
Non-deductible expenditure	1,178	247
Under/(over) provision of income tax in prior year	14	6
Research and development incentives	(1,121)	(420)
Non-assessable income	(619)	(586)
Income tax expense	16,213	18,794
Tax expense comprises:		
Current tax expense	16,679	20,156
Adjustments recognised in the current year in relation to the current tax of prior years	14	6
Deferred tax expense relating to the origination and reversal of temporary differences	(480)	(1,368)
Total tax expense	16,213	18,794

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.

	2011 $'000	2010 $'000
b. Deferred tax balances		
Deferred tax assets	2,086	448
Deferred tax liabilities	(16,391)	(12,593)
Net deferred tax assets/(liabilities)	(14,305)	(12,145)

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

3. Taxation continued

Taxable and deductible temporary differences arise from the following:

2011 Consolidated	Opening balance $'000	Acquisitions $'000	Charged to income $'000	Charged to equity $'000	Closing balance $'000
Deferred tax assets					
Employee benefit provisions	3,267	2,181	(416)	–	5,032
Warranty provisions	1,012	3	(99)	–	916
Inventory	797	588	(402)	–	983
Accrued expenses	2	206	320	–	528
FX option premium	1,035	–	(491)	–	544
Other	650	2,057	1,516	–	4,223
	6,763	5,035	428	–	12,226
Set off of tax	(6,315)	(855)	(2,970)	–	(10,140)
	448	4,180	(2,542)	–	2,086
Deferred tax liabilities					
Property, plant and equipment	430	626	260	–	1,316
Capitalised product development	2,877	–	(13)	–	2,864
Other intangible assets	3,004	166	(188)	–	2,982
Available for sale asset revaluation reserve	10,642	–	–	8,727	19,369
Cash flow hedge reserve	1,907	–	–	(1,907)	–
Other	48	63	(111)	–	–
	18,908	855	(52)	6,820	26,531
Set off of tax	(6,315)	(855)	(2,970)	–	(10,140)
	12,593	–	(3,022)	6,820	16,391
Net deferred tax liabilities					(14,305)

2010 Consolidated	Opening balance $'000	Charged to income $'000	Charged to equity $'000	Closing balance $'000
Deferred tax assets				
Employee benefit provisions	3,426	(159)	–	3,267
Warranty provisions	1,065	(53)	–	1,012
Inventory	603	194	–	797
Accrued expenses	372	(370)	–	2
Cash flow hedge reserve	1,613	–	(1,613)	–
FX option premium	–	1,035	–	1,035
Other	410	240	–	650
	7,489	887	(1,613)	6,763
Set off of tax	(7,033)	718	–	(6,315)
	456	1,605	(1,613)	448
Deferred tax liabilities				
Property, plant and equipment	572	(142)	–	430
Capitalised product development	3,164	(287)	–	2,877
Intangible assets	3,059	(55)	–	3,004
Available for sale asset revaluation reserve	1,505	–	9,137	10,642
Cash flow hedge reserve	–	–	1,907	1,907
Other	148	(100)	–	48
	8,448	(584)	11,044	18,908
Set off of tax	(7,033)	718	–	(6,315)
	1,415	134	11,044	12,593
Net deferred tax liabilities				(12,145)

	2011 $'000	2010 $'000
c. Unrecognised deferred tax balances		
The following deferred tax assets have not been brought to account as assets:		
Tax losses – capital	2,435	2,435

4. Segment information

Segment reporting is presented in respect of the Consolidated Entity's business and geographical segments. The primary format, business segments, is based on the Consolidated Entity's management and internal reporting structure.

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.

	For the year ended 30 June 2011					
Business segments	Consumer Products $'000	Automotive Products $'000	Water Products $'000	Industrial Products $'000	Unallocated $'000	Total $'000
Total segment revenue (external)	235,880	82,115	107,299	167,497	3,636	596,427
Underlying EBITDA pre-acquisition, integration and restructuring costs	45,653	26,447	11,488	10,170	(2,834)	90,924
Less: Depreciation	(2,679)	(570)	(2,120)	(2,902)	(8)	(8,279)
Less: Amortisation of intangibles	(4,127)	–	(342)	(1,101)	–	(5,570)
Underlying EBIT pre-acquisition, integration and restructuring costs	38,847	25,877	9,026	6,167	(2,842)	77,075
Acquisition, integration and restructuring costs	–	–	(880)	(8,882)	(2,537)	(12,299)
Segment result (EBIT)	38,847	25,877	8,146	(2,715)	(5,379)	64,776
Net finance expense						(8,907)
Profit before income tax						55,869
Income tax expense						(16,213)
Profit for the period						39,656
Segment assets	123,298	33,570	96,584	173,958	73,895	501,305
Segment liabilities	27,733	11,715	16,042	55,201	132,970	243,661
Segment acquisition of assets	6,472	444	4,803	64,145	1	75,865

	For the year ended 30 June 2010					
Business segments	Consumer Products $'000	Automotive Products $'000	Water Products $'000	Industrial Products $'000	Unallocated $'000	Total $'000
Total segment revenue (external)	249,721	81,642	131,016	12,342	1,880	476,601
EBITDA	40,750	22,204	22,119	2,622	(5,244)	82,451
Less: Depreciation	(2,507)	(558)	(2,158)	(893)	(17)	(6,133)
Less: Amortisation of intangibles	(4,379)	–	(368)	–	–	(4,747)
Segment result (EBIT)	33,864	21,646	19,593	1,729	(5,261)	71,571
Net finance expense						(6,416)
Profit before income tax						65,155
Income tax expense						(18,794)
Profit for the period						46,361
Segment assets	140,114	31,963	92,438	12,792	62,293	339,600
Segment liabilities	43,159	10,516	17,245	2,442	48,120	121,482
Segment acquisition of assets	8,427	500	1,351	564	12	10,854

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

Business segments

Consumer Products (Sunbeam and Oates)
Small electrical appliances and cleaning products.

Automotive Products (Ryco, Wesfil, Goss)
Automotive and heavy duty filters for cars, trucks, agricultural and mining equipment, fuel pumps and associated products for the automotive after market.

Water Products (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.

Industrial Products (Dexion and Lock Focus)
Manufacturer and provider of industrial storage and automation solutions plus disc tumbler locks for furniture, doors and safe locking systems.

5. Dividends

Recognised amounts

Fully Paid Ordinary Shares	Cents per share	Total amount $'000	Date of payment	Tax rate	Percentage franked
2011					
Final dividend in respect of the 2010 financial year	34	23,019	30 September 2010	30%	100%
Interim dividend in respect of the 2011 financial year	29	19,844	9 March 2011	30%	100%
Total dividends		42,863			
2010					
Final dividend in respect of the 2009 financial year	33	19,823	30 September 2009	30%	100%
Interim dividend in respect of the 2010 financial year	28	16,970	30 March 2010	30%	100%
Total dividends		36,793			

Unrecognised amounts

Fully Paid Ordinary Shares	Cents per share	Total amount $'000	Date of payment	Tax rate	Percentage franked
2011					
Final dividend in respect of the 2011 financial year	35	24,181	14 September 2011	30%	100%

Dividend franking account	GUD Holdings Limited 2011 $'000	GUD Holdings Limited 2010 $'000
30% (2010: 30%) franking credits available to shareholders of GUD Holdings Limited for subsequent financial years	**28,508**	23,936

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 which rank equally with GUD ordinary shares. The Directors have determined that the allocation price for shares issued under the DRP will be calculated at a 2.5% discount to the volume weighted average price of GUD ordinary shares on each of the five consecutive trading days following the record date 30 August 2011 for participation in the DRP, being 31 August 2011 to 6 September 2011.

The last date for receipt of applications to participate in or to cease or vary participation in the DRP is by 5:00pm (EST) on 30 August 2011. Additional shares will be issued to participants on 14 September 2011.

6. Cash and cash equivalents

	2011 $'000	2010 $'000
Current		
Cash and cash equivalents	16,081	25,472

7. Trade and other receivables

	2011 $'000	2010 $'000
Current		
Trade receivables	85,739	59,829
Less: Allowance for doubtful debts[1]	(551)	(464)
Net trade receivables	85,188	59,365
Derivatives – Foreign currency forward contracts, options and collars	–	6,516
Derivatives – Interest rate swaps at fair value	–	331
Other financial assets	–	6,847
	85,188	66,212

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

	2011 $'000	2010 $'000
Movement in allowance for doubtful debts		
Balance at the beginning of the year	(464)	(395)
Acquisitions	(76)	–
Doubtful debts recognised	(329)	(110)
Amounts written off as uncollectible	318	41
Balance at the end of the year	(551)	(464)

Bad debts were recognised only after it was determined that the debts were 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 have been received to partially mitigate the loss and the net uncollectible amount is reflected above.

Impaired receivables are those receivables for which a specific doubtful debt provision has been recognised. 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.

2011 Ageing of trade receivables	Gross $'000	Impairment $'000	Net $'000
Not past due	65,696	(77)	65,619
Past due 1 – 60 days	15,640	(169)	15,471
Past due 61 – 120 days	2,558	(43)	2,515
Past due 121 – 365 days	1,026	(232)	794
Past due more than one year	819	(30)	789
Total trade receivables	85,739	(551)	85,188

2010 Ageing of trade receivables	Gross $'000	Impairment $'000	Net $'000
Not past due	46,897	(103)	46,794
Past due 1 – 60 days	11,524	(56)	11,468
Past due 61 – 120 days	935	(16)	919
Past due 121 – 365 days	370	(289)	81
Past due more than one year	103	–	103
Total trade receivables	59,829	(464)	59,365

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

8. Other assets

	2011 $'000	2010 $'000
Current		
Prepayments	4,902	2,392
Other	3,000	3,483
	7,902	5,875

9. Inventories

	2011 $'000	2010 $'000
Current		
Raw materials and stores	18,988	11,801
Work in progress	4,856	1,198
Finished goods	79,346	64,295
Total inventory	103,190	77,294

Inventories disclosed above are net of the provision for obsolescence.

10. Other financial assets

	Note	2011 $'000	2010 $'000
Non-current			
Loan to related party	25	564	564
Available for sale asset		82,749	53,659
Derivatives – Foreign currency forward contracts, options and collars	26	11	–
		83,324	54,223

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 2009	2,894	49,117	52,011
Additions	–	4,959	4,959
Disposals	219	(4,953)	(4,734)
Foreign currency movements	–	38	38
Balance at 30 June 2010	3,113	49,161	52,274
Acquisitions	–	19,227	19,227
Additions	–	7,613	7,613
Disposals	(1,338)	(7,330)	(8,668)
Foreign currency movements	–	(1,436)	(1,436)
Balance at 30 June 2011	1,775	67,235	69,010
Accumulated depreciation and amortisation			
Balance at 1 July 2009	(1,183)	(31,219)	(32,402)
Depreciation expense	(353)	(5,780)	(6,133)
Disposals	(4)	4,514	4,510
Foreign currency movements	–	(29)	(29)
Balance at 30 June 2010	(1,540)	(32,514)	(34,054)
Depreciation expense	(223)	(8,056)	(8,279)
Impairment due to restructuring	–	(1,680)	(1,680)
Disposals	868	5,842	6,710
Foreign currency movements	–	415	415
Balance at 30 June 2011	(895)	(35,993)	(36,888)
Carrying amount			
As at 30 June 2010	1,573	16,647	18,220
As at 30 June 2011	880	31,242	32,122

12. Goodwill

	2011 $'000	2010 $'000
Gross carrying amount		
Balance at the beginning of the year	43,872	42,063
Acquisitions	62,907	1,771
Net foreign currency difference arising on translation of financial statements of foreign operations	15	38
Balance at the end of the year	106,794	43,872

All intangible assets with indefinite lives (goodwill and brand names), have been allocated for impairment testing purposes to cash generating units. Refer below for the allocation of goodwill and brand names to cash generating units. The Directors have assessed that no impairment charge is required for the year ended 30 June 2011. Additional information relating to brand names is included in Note 13.

During the year the Consolidated Entity acquired Dexion, Monarch Pool Systems Europe and Monarch Pool Systems Iberica (see Note 30 for further details). These acquisitions resulted in a goodwill amount of $59,514,000 in the Dexion cash generating unit and an additional $3,393,000 in the Water Products group cash generating unit.

12. Goodwill continued

	2011 – $'000		
	Goodwill	Brand Names	Total Assets with Indefinite Lives
Allocation of goodwill and brand names to cash generating units			
Automotive Products	1,497	1,000	**2,497**
Lock Focus	5,300	–	**5,300**
Sunbeam	463	24,492	**24,955**
Oates	5,166	8,900	**14,066**
Water Products group	34,854	3,215	**38,069**
Dexion	59,514	11,633	**71,147**
	106,794	49,240	**156,034**

	2010 – $'000		
	Goodwill	Brand Names	Total Assets with Indefinite Lives
Allocation of goodwill and brand names to cash generating units			
Automotive Products	1,497	1,000	**2,497**
Lock Focus	5,300	–	**5,300**
Sunbeam	463	24,696	**25,159**
Oates	4,966	8,900	**13,866**
Water Products group	31,646	3,215	**34,861**
	43,872	37,811	**81,683**

Each cash generating unit's recoverable amount has been tested on the basis of its value in use. The key assumptions used in the value in use calculation for the various cash generating units with significant indefinite life assets, in comparison with the Consolidated Entity's indefinite life assets, are detailed below.

The cash generating units within the Consumer Products business segment are Sunbeam and Oates. The pre-tax discount rate applied to Sunbeam cash flows was 14.34% (2010: 14.85%). The pre-tax discount rate applied to Oates cash flows was 14.70% (2010: 15.22%).

The Water Products group is both a cash generating unit and a business segment. The pre-tax discount rate applied to cash flows was 14.70% (2010: 15.22%). Additional details relating to key assumptions are detailed below.

The cash generating units within the Industrial Products business segment are Dexion and Lock Focus. The pre-tax discount rate applied to the Lock Focus cash flows was 13.24% (2010: 13.71%). The pre-tax discount rate applied to the Dexion cash flows was 14.70% (2010: n/a).

Assumptions applicable to the five year cash flow forecast for each cash generating unit:

1. Year one cash flows based on 2012 budget (2010 analysis was based on the 2011 budget)
2. Revenue increase of 3% (2010: 3%)
3. Cost of sales increase of 3% (2010: 3%)
4. Expense increase of 3% (2010: 3%)
5. No material changes to working capital (2010: no material changes to working capital)
6. Growth rate used to project cash flows beyond five years of 3% (2010: 3%)

All of the assumptions have been determined based on Directors' understanding of each cash generating unit. The assumptions are generally consistent with past performance.

The five year cash flow projections are based on the 2012 year budget (2010: based on 2011 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.

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 2009	24,732	37,772	4,600	–	–	67,104
Additions from internal developments	3,933	–	–	–	–	3,933
Additions	–	–	191	–	–	191
Disposals	(4,085)	–	–	–	–	(4,085)
Foreign currency movements	–	39	–	–	–	39
Balance at 30 June 2010	24,580	37,811	4,791	–	–	67,182
Acquisitions	–	11,697	–	4,564	1,452	17,713
Additions from internal developments	4,384	–	–	–	–	4,384
Additions	–	–	120	850	–	970
Disposals	(4,723)	–	–	(452)	–	(5,175)
Foreign currency movements	–	(268)	2	(61)	–	(327)
Balance at 30 June 2011	24,241	49,240	4,913	4,901	1,452	84,747
Accumulated amortisation						
Balance at 1 July 2009	(13,684)	–	(3,911)	–	–	(17,595)
Amortisation expense	(4,280)	–	(467)	–	–	(4,747)
Disposals	3,144	–	–	–	–	3,144
Balance at 30 June 2010	(14,820)	–	(4,378)	–	–	(19,198)
Amortisation expense	(4,148)	–	(321)	(863)	(238)	(5,570)
Disposals	4,152	–	(9)	449	–	4,592
Foreign currency movements	–	–	–	47	–	47
Balance at 30 June 2011	(14,816)	–	(4,708)	(367)	(238)	(20,129)
Carrying amount						
As at 30 June 2010	9,760	37,811	413	–	–	47,984
As at 30 June 2011	9,425	49,240	205	4,534	1,214	64,618

Aggregate amortisation allocated during the year is recognised as an expense and disclosed in Note 2c.

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 the brands could be managed by another management team, 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

	2011 $'000	2010 $'000
a. Current		
Accrued expenses	20,124	12,101
Trade payables[1]	62,159	33,144
Trade payables and accrued expenses	82,283	45,245
Derivatives – Foreign currency forward contracts and collars	97	32
Derivatives – Interest rate swaps at fair value	328	–
Other	288	–
Trade and other payables	82,996	45,277
b. Non-current		
Derivatives – Interest rate swaps at fair value	426	455
Other financial liabilities	426	455

[1] No interest is incurred on trade payables.

15. Borrowings

	Note	2011 $'000	2010 $'000
a. Current			
Unsecured bank overdrafts		–	–
Unsecured bank loans		6,396	–
Secured finance lease liabilities[1]	24	246	873
		6,642	873
b. Non-current			
Unsecured bank loans		111,171	40,270
Secured finance lease liabilities[1]	24	338	584
		111,509	40,854
c. Financing facilities			
Total facilities available			
Unsecured bank overdrafts		8,858	5,000
Unsecured bank loans		187,506	180,000
Unsecured money market facilities		18,000	18,000
		214,364	203,000
Facilities used at balance date			
Unsecured bank overdrafts		–	–
Unsecured bank loans		117,567	40,270
Unsecured money market facilities		–	–
		117,567	40,270
Facilities not utilised at balance date			
Unsecured bank overdrafts		8,858	5,000
Unsecured bank loans		69,939	139,730
Unsecured money market facilities		18,000	18,000
		96,797	162,730

[1] Secured by the assets leased (see Note 11).

15. Borrowings continued

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 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 2011 is 8.47% (2010: 8.95%).

Unsecured bank loans

The main unsecured bank loan is provided by way of a Club Facility arrangement. During the year the Core Debt Facility was renewed for 3 years to 31 July 2014. The amount drawn under the Club Facility at 30 June 2011 is repayable on maturity of the Working Capital Facility (31 July 2012). The Working Capital Facility and Core Debt Facility are subject to variable interest rates.

The bankers in the Club Facility require shareholder approval for the Dexion subsidiaries to be included as a guarantor.

The Club Facility agreement is for a total of $180 million which is subject to review prior to maturity, as follows:

	Amount $ million	Year ended 30 June
Working Capital Facility	80	2013
Core Debt Facility	100	2015

Money market facility

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

16. Provisions

	2011 $'000	2010 $'000
a. Current		
Employee benefits[1]	13,720	9,392
Restructuring	4,764	–
Warranty	3,083	3,271
	21,567	12,663
b. Non-current		
Employee benefits[1]	2,914	1,413
Restructuring	493	–
	3,407	1,413

[1] Employee provisions include on-costs.

	2011 $'000	2010 $'000
Employee benefits		
Aggregate liability for employee benefits, including on-costs, recognised and included in the consolidated financial statements is as follows:		
Current	13,720	9,392
Non-current	2,914	1,413
	16,634	10,805
Accrued wages and salaries*	5,105	5,390
	21,739	16,195

* Accrued wages and salaries are included in accrued expenses in Note 14.

16. Provisions continued

	2011 $'000	2010 $'000
Restructuring provisions		
Carrying amount at beginning of year	–	–
Acquisitions	1,776	
Provisions recognised	6,171	–
Payments made during the year	(2,638)	–
Net foreign currency difference arising on translation of financial statements of foreign operations	(52)	–
Carrying amount at end of year	5,257	–

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. Additional provisions for scrapping of fixed assets are included in Note 11.

	2011 $'000	2010 $'000
Warranty provisions		
Carrying amount at beginning of year	3,271	3,552
Provisions recognised	10,818	12,359
Payments made during the year	(10,971)	(12,645)
Net foreign currency difference arising on translation of financial statements of foreign operations	(35)	5
Carrying amount at end of year	3,083	3,271

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

	2011 $'000	2011 No. '000	2010 $'000	2010 No. '000
Fully paid ordinary shares				
69,089,611 fully paid ordinary shares (2010: 65,885,213)	170,063	69,090	142,229	65,885
Balance at the beginning of the year	142,229	65,885	94,505	60,124
Dividend reinvestment plan	12,921	1,386	8,491	942
Share placement	–	–	39,233	4,819
Share purchase plan	14,913	1,819	–	–
Balance at the end of the year	170,063	69,090	142,229	65,885

During the year 1,385,902 shares were issued by the Consolidated Entity under the 'dividend reinvestment plan' which was reintroduced by the Consolidated Entity on 28 July 2009. The final dividend in respect of the 2010 financial year paid on 30 September 2010 resulted in the issue of 723,012 new shares and the interim dividend in respect of the 2011 financial year paid on 9 March 2011 resulted in the issue of 662,890 new shares.

On 21 July 2010 the Consolidated Entity raised $14,912,697 in a Share Purchase Plan open to all shareholders. 1,818,496 new shares were issued at $8.30 under the plan.

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.

Available for sale revaluation reserve

The available for sale revaluation reserve contains movements in the fair value of the available for sale asset since acquisition.

19. Investment in subsidiaries

	Country of incorporation	Percentage ownership interest 2011	2010
Parent entity			
GUD Holdings Limited[2]	Australia		
Subsidiaries			
Appliance and Homewares International Pty Ltd[1,3]	Australia	100	100
Appliance and Homewares International Ltd	New Zealand	100	–
Darroch Consulting Limited	New Zealand	100	–
Davey Pumps Inc	USA	100	100
Davey Water Products Limited	New Zealand	100	100
Davey Water Products Pty Ltd[1,3]	Australia	100	100
Dexion (Australia) Pty Limited[1,3]	Australia	100	–
Dexion (New Zealand) Holdings Limited	New Zealand	100	–
Dexion (New Zealand) Limited	New Zealand	100	–
Dexion (Shanghai) Logistics Equipment Co. Ltd	Peoples' Republic of China	100	–
Dexion Asia Limited	Hong Kong	100	–
Dexion Asia Sdn Bhd	Malaysia	100	–
Dexion Commercial (Australia) Pty Limited[1,3]	Australia	100	–
Dexion Commercial (New Zealand) Limited	New Zealand	100	–
Dexion Integrated Systems Pty Limited[1,3]	Australia	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 (NZ) Limited	New Zealand	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	–
Monarch Pool Systems Iberica S.L.	Spain	100	–
Sunbeam Corporation Limited	New Zealand	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 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:

Income Statement	2011 $'000	2010 $'000
Revenue	521,344	445,846
Finance costs	(6,443)	(5,955)
Other expenses	(458,033)	(378,641)
Profit before income tax	56,868	61,250
Income tax expense	(16,344)	(18,091)
Profit for the period	40,524	43,159
Retained earnings at the beginning of the year	41,934	35,568
Dividends paid	(42,863)	(36,793)
Retained earnings at the end of the year	39,595	41,934

Balance Sheet	2011 $'000	2010 $'000
Current assets		
Cash and cash equivalents	10,312	25,415
Trade and other receivables	67,120	60,751
Other assets	9,364	5,424
Inventories	83,782	70,310
Total current assets	170,578	161,900
Non-current assets		
Other financial assets	115,049	64,605
Property, plant and equipment	24,753	17,534
Goodwill	75,656	31,462
Other intangible assets	56,899	43,898
Total non-current assets	272,357	157,499
Total assets	442,935	319,399
Current liabilities		
Trade and other payables	65,559	43,524
Borrowings	391	873
Current tax payables	1,318	7,153
Provisions	18,515	11,905
Total current liabilities	85,783	63,455
Non-current liabilities		
Borrowings	82,867	28,179
Other financial liabilities	101	273
Deferred tax liabilities	16,419	12,593
Provisions	2,914	1,413
Total non-current liabilities	102,301	42,458
Total liabilities	188,084	105,913
Net assets	254,851	213,486
Share Capital	170,063	142,229
Reserves	45,193	29,323
Retained earnings	39,595	41,934
Total equity	254,851	213,486

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 of GUD Holdings Ltd, and its subsidiaries, during the year have been identified as the following persons:

- C K Hall (Chairman, Non-executive)
- R M Herron (Non-executive)
- P A F Hay (Non-executive)
- M G Smith (Non-executive)
- I A Campbell (Managing Director)
- R J Wodson (Finance Director)
- D Jackson (Chief Executive – Sunbeam Corporation Ltd – Australia)
- D Birch (Chief Executive – E D Oates Pty Ltd)
- R Pattison (Chief Executive – GUD Automotive Pty Ltd)
- C Anderson (Chief Executive – Davey Water Products Pty Ltd)
- T Cooper (Managing Director – Wesfil Australia Pty Ltd)
- P Farmakis (Chief Executive – Dexion Ltd)

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:

	2011 $	2010 $
Short-term employment benefits	6,308,909	5,056,042
Post-employment benefits	437,170	393,944
	6,746,079	5,449,986

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 Directors are on terms no more favourable than made available to other employees.

At 30 June 2011, key management personnel held directly, indirectly or beneficially 432,226 ordinary shares (2010: 408,947) in the Consolidated Entity.

Details of transactions involving property leases with related parties are included in Note 25.

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

Fully paid ordinary shares issued by GUD Holdings Limited

For the year ended 30 June 2011		Balance at 01 Jul 10 No.	Net other change No.	Balance at 30 Jun 11 No.
Directors				
Non-executive				
C K Hall	(Chairman)	72,442	768	73,210
R M Herron		22,442	768	23,210
P A F Hay		1,939	954	2,893
M G Smith		–	5,560	5,560
Executive				
I A Campbell	(Managing Director)	268,373	10,581	278,954
R J Wodson	(Finance Director)	43,751	4,648	48,399
Other key management personnel				
D Jackson	(Chief Executive – Sunbeam Corporation Ltd)	–	–	–
D Birch	(Chief Executive – E D Oates Pty Ltd)	–	–	–
R Pattison	(Chief Executive – GUD Automotive Pty Ltd)	–	–	–
C Anderson	(Chief Executive – Davey Water Products Pty Ltd)	–	–	–
T Cooper	(Managing Director – Wesfil Australia Pty Ltd)	–	–	–
P Farmakis	(Chief Executive – Dexion Ltd)	–	–	–
		408,947	23,279	432,226

For the year ended 30 June 2010		Balance at 01 Jul 09 No.	Net other change No.	Balance at 30 Jun 10 No.
Directors				
Non-executive				
C K Hall	(Chairman)	72,442	–	72,442
G D W Curlewis	(retired 31 December 2009)	12,442	(12,442)	–
R M Herron		22,442	–	22,442
P A F Hay		1,814	125	1,939
M G Smith		–	–	–
Executive				
I A Campbell	(Managing Director)	254,884	13,489	268,373
R J Wodson	(Finance Director)	42,442	1,309	43,751
Other key management personnel				
D Jackson	(Chief Executive – Sunbeam Corporation Ltd)	–	–	–
D Birch	(Chief Executive – E D Oates Pty Ltd)	–	–	–
R Pattison	(Chief Executive – GUD Automotive Pty Ltd)	–	–	–
C Anderson	(Chief Executive – Davey Water Products Pty Ltd)	–	–	–
D Cleland	(Managing Director – Davey Water Products Pty Ltd)	10,250	(10,250)	–
T Cooper	(Managing Director – Wesfil Australia Pty Ltd)	–	–	–
		416,716	(7,769)	408,947

22. Auditors' remuneration

	2011 $	2010 $
Audit services		
The auditor of GUD Holdings Limited		
– audit and review of financial reports	382,000	299,750
– other assurance services	–	10,395
Overseas audit firms:		
– audit and review of financial reports[1]	142,479	53,372
	524,479	363,517
Non-audit services		
The auditor of GUD Holdings Limited		
– income tax compliance	114,100	117,881
– general tax advice	67,534	62,222
Overseas audit firms:		
– income tax compliance	36,270	21,100
– general tax advice	10,221	6,383
	228,125	207,586

[1] Includes non KPMG amount of $2,479 (2010: $2,622) for the audit of GUD (HK) Limited.

23. Notes to the statement of cash flows

	2011 $'000	2010 $'000
Reconciliation of profit after income tax to net cash provided by operating activities		
Profit after income tax	39,656	46,361
Depreciation and amortisation	13,849	10,880
Impairment of fixed asset due to restructuring	1,680	–
Interest received	(440)	(429)
Interest paid	9,347	6,845
Dividends received from listed security investment	(3,636)	(1,880)
(Profit)/loss on sale of property, plant and equipment	1,947	(275)
Changes in working capital assets and liabilities		
Increase (decrease) in net tax liability	(8,975)	1,063
(Increase) decrease in inventories	(478)	5,377
(Increase) decrease in receivables	4,657	2,656
(Increase) in other assets	1,597	684
Increase (decrease) in provisions	10,898	(906)
Increase (decrease) in payables and derivatives	(2,305)	7,810
Net cash provided by/(used in) operating activities	67,797	78,186

24. Commitments for expenditure

	Note	2011 $'000	2010 $'000
Capital expenditure commitments			
Plant and equipment			
Contracted but not provided for and payable:			
Within 1 year		531	224
Between 1 and 5 years		–	–
Later than 5 years		–	–
		531	224
Non-cancellable operating lease expense commitments			
Future operating lease commitments not provided for in the consolidated financial statements and payable:			
Within 1 year		16,207	9,710
Between 1 and 5 years		33,326	21,215
Later than 5 years		589	2,378
		50,122	33,303
Finance lease payment commitments			
Plant and equipment			
Minimum future lease payments:			
Within 1 year		283	951
Between 1 and 5 years		375	658
Later than 5 years		–	–
Total finance lease commitment		658	1,609
Less: Future finance lease charges		(74)	(152)
Finance lease liability		584	1,457
Present value of minimum future lease payments:			
Within 1 year		246	873
Between 1 and 5 years		338	584
Later than 5 years		–	–
		584	1,457
Lease liabilities provided for in the consolidated financial statements:			
Current	15a	246	873
Non-current	15b	338	584
Total lease liability		584	1,457

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.

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.

Loan to Director

The Consolidated Entity negotiated an agreement with the Managing Director, Mr I A Campbell, in April 2008 to provide him with an unsecured equity loan of $564,000. Mr Campbell has given an undertaking not to dispose of 130,000 shares he holds in his name in the Consolidated Entity for so long as the loan remains outstanding. The loan is repayable in the event that Mr I A Campbell's employment with the Consolidated Entity ceases. The interest rate applicable to the loan is the Consolidated Entity's cost of funds plus a margin of 0.25%. No compensation value has been attributed to this loan as it is on arms-length terms and conditions. As at the reporting date, all interest charged on the loan during the year had been paid.

	Note	2011 $'000	2010 $'000
Opening loan balance		564	564
Loan advanced		–	–
Closing loan balance	10	564	564
Interest paid during the period		38	32

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 which are not interest bearing. Loans between entities in the wholly-owned group are repayable at call.

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 $407,000 (2010: $330,000). 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, co-ordinates 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 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 Finance Director. Each month the Finance Director 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 or in the prior year.

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 which 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 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 10. 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 which 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.

26. Financial instruments and financial risk management continued

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.

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

2011	Carrying amount $'000	Contractual cash flows $'000	Less than 1 year $'000	1 to 2 years $'000	2 to 5 years $'000
Non-derivative financial liabilities					
Trade and other payables	83,422	83,422	82,996	426	–
Unsecured bank loans	117,567	138,949	15,616	38,754	84,579
Secured finance lease liabilities	584	584	246	338	–
	201,573	222,955	98,858	39,518	84,579

2010	Carrying amount $'000	Contractual cash flows $'000	Less than 1 year $'000	1 to 2 years $'000	2 to 5 years $'000
Non-derivative financial liabilities					
Trade and other payables	45,732	45,732	45,277	455	–
Unsecured bank loans	40,270	48,290	4,234	14,094	29,962
Secured finance lease liabilities	1,457	1,457	873	584	–
	87,459	95,479	50,384	15,133	29,962

e. Market risk

Market risk for the Consolidated Entity refers to the risk that changes in foreign exchange rates, interest rates or the share price of listed companies invested in 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 2011, the Consolidated Entity is exposed to $11,478,000 of US$ 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 forward foreign currency contracts outstanding as at the reporting date:

	Average exchange rate		Foreign currency		Contract value		Fair value	
	2011	2010	2011 FC'000	2010 FC'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Buy United States Dollars	1.0077	0.8506	(1,443)	771	(1,197)	906	(155)	3
Buy European Euro	0.7201	–	2,286	–	3,175	–	(44)	–
Buy Australian Dollars (NZ entities)	0.7484	0.7959	2,299	1,230	2,327	1,256	(40)	(35)
					4,305	2,162	(239)	(32)

Foreign currency options and collars

The following table summarises the foreign currency call options outstanding as at the reporting date. There were no foreign currency collars outstanding at the reporting date.

	Call option rate		Foreign currency		Contract value*		Fair value*	
	2011	2010	2011 FC'000	2010 FC'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Buy United States Dollars	0.9846	0.8854	49,220	95,174	48,260	107,496	–	8,339
					48,260	107,496	–	8,339

* The Contract Value is the nominal value of the foreign exchange contracts. The Fair Value is the mark-to-market of these contracts at the reporting date.

The cash flows associated with the foreign exchange contracts and options held at 30 June 2011 are expected to occur within 12 months of the reporting date.

The following table summarises the sensitivity of the Consolidated Entity to movements in the value of the Australian dollar compared to the United States dollar, the principal currency that the Consolidated Entity has an exposure to. The table includes the type of sensitivity analysis that is used when reporting to key management personnel. The movement of 1 cent in the value of the Australian dollar is used for the purposes of sensitivity analysis because it allows the reader to easily project the effect of multiples of that amount. An appreciation in the Australian dollar would be positive to the Consolidated Entity as United States dollars are required to be purchased with Australian dollars to pay for goods sourced from overseas, whereas a depreciation in value is negative as it has the effect of making purchases more expensive in Australian dollar terms. It is important to note that this foreign currency sensitivity analysis assumes that all other economic variables remain constant. The calculations are based on expected exposures for the 12 months from the reporting date and do not take into account the offsetting impact of any hedging in place.

Sensitivity Analysis – foreign exchange AUD/USD	2011 $'000	2010 $'000
For every 1c decrease in AUD:USD rate, total exposures increase by:		
Income statement	29	(8)
Equity	(717)	(1,155)

26. Financial instruments and financial risk management continued

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 value 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 key management personnel. 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	2011 $'000	2010 $'000
For every 100 basis points increase in interest rates:		
Income statement	(712)	(104)
Equity		–

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

Outstanding floating for fixed contracts	Average contracted fixed interest rate 2011 %	2010 %	Notional principal amount 2011 $'00	2010 $'000	Fair value 2011 $'000	2010 $'000
Less than 1 year	4.98	3.61	61,874	48,125	(328)	331
1 to 2 years	5.19	5.57	38,774	38,125	(426)	(302)
2 to 5 years	4.46	5.41	1,287	28,125	–	(153)
			101,935	114,375	(754)	(124)

Investment in listed security – share price risk:

The Consolidated Entity holds an investment in a company which is listed on the Australian Securities Exchange (see Note 10). A 1% increase in the share price of this company at the reporting date would have increased equity by $579,000 after tax (2010: $376,000). A 1% decrease would have decreased equity by $579,000 after tax (2010: $376,000). There is no impact on the Income Statement as all movements in fair value are recognised directly in equity.

f. Capital management

The Board's policy is to maintain a strong capital base of the Consolidated Entity. This policy is predicated on the need to be able to continue to favourably present the Consolidated Entity to various stakeholders including investors, employees, banks, suppliers and customers. This enables the Consolidated Entity to be able 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 to 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 bank bill facility do contain two covenants: minimum interest cover and maximum debt to earnings. Both covenants have been satisfied during the 2010 and 2011 financial years.

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

26. Financial instruments and financial risk management continued

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).

For the year ended 30 June 2011	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Available for sale asset	82,749	–	–	82,749
Derivatives – Foreign currency forward contracts, options and collars	–	(86)	–	(86)
Derivatives – Interest rate swaps at fair value	–	(754)	–	(754)
	82,749	**(840)**	**–**	**81,909**

For the year ended 30 June 2010	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Available for sale asset	53,659	–	–	53,659
Derivatives – Foreign currency forward contracts, options and collars	–	6,484	–	6,484
Derivatives – Interest rate swaps at fair value	–	(124)	–	(124)
	53,659	**6,360**	**–**	**60,019**

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

27. Earnings per share

	2011 $'000	2010 $'000
Profit for the period	**39,656**	46,361
Add back: acquisition, integration and restructuring costs	**12,299**	–
Less: tax effect on acquisition, integration and restructuring costs	**(2,986)**	–
Underlying profit for the period	**48,969**	46,361

	Number	Number
Weighted average number of shares used as the denominator for basic and diluted earnings per share – ordinary shares	**68,300,240**	60,627,119

Earnings per share	Cents per share	Cents per share
Basic earnings per share	**58.1**	76.5
Diluted earnings per share	**58.1**	76.5
Underlying earnings per share		
Basic underlying earnings per share	**71.7**	76.5
Diluted underlying earnings per share	**71.7**	76.5

28. Contingent liabilities

The Consolidated Entity had no material contingent liabilities at 30 June 2011 (2010: $821,000).

29. Parent entity disclosures

As at and throughout the financial year ending 30 June 2011 the parent company of the Consolidated Entity was GUD Holdings Limited.

	GUD Holdings Limited	
	2011 $'000	2010 $'000
Results of the parent entity		
Profit for the period	49,575	36,496
Other comprehensive income	20,359	21,325
Total comprehensive income for the period	69,934	57,821
Financial position of the parent entity at the year end		
Current assets	22,224	27,870
Total assets	377,026	255,479
Current liabilities	12,805	9,860
Total liabilities	114,524	47,882
Net assets	262,502	207,597
Total equity of the parent entity comprising of:		
Share capital	170,063	142,229
Available for sale asset revaluation reserve	45,194	24,835
Retained earnings	47,245	40,533
Total equity	262,502	207,597
Parent entity contingencies		
Contingent liabilities	73,560	58,852

The parent entity is party to three 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 (parent company of the Consolidated Entity's New Zealand companies) 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.

Capital commitments

The parent entity does not have any capital commitments for the year ending 30 June 2011 (2010: nil).

30. Acquisitions

Acquisition of Dexion

On 1 September 2010, the Consolidated Entity completed the acquisition of 100% of the shares of Dexion Limited, the parent company of the Dexion Group, a manufacturer of warehouse racking, industrial storage solutions and office storage products. The acquisition was for a cash consideration of $84.1 million plus acquisition costs of $2.2 million.

These consolidated financial statements include the final fair values of the net assets acquired and the intangibles arising on acquisition as detailed below.

	Book value $'000	Fair value adjustments $'000	Total $'000
Consideration			
Cash	84,118	–	84,118
Total consideration	**84,118**	**–**	**84,118**
Fair value of assets acquired			
Intangibles	13,559	4,154	17,713
Property, plant and equipment	24,373	(5,181)	19,192
Inventories	22,800	(1,665)	21,135
Trade and other receivables	37,438	(372)	37,066
Other assets	2,317	2,508	4,825
Trade payables, other payables and provisions	(41,867)	(1,347)	(43,214)
Net debt	(32,113)	–	(32,113)
Net assets acquired	**26,507**	**(1,903)**	**24,604**
Goodwill on acquisition			**59,514**

For the full year ended 30 June 2011, the Dexion Group contributed revenues of $156.7 million, underlying EBIT of $4.7 million and a loss after tax of $6.7 million including integration and restructuring costs of $8.9 million.

The GUD Consolidated Entity would have had an additional $30.2 million of revenue and $4.0 million lower profit after tax (which includes acquisition defence costs and restructuring costs of $4.2 million) if Dexion Limited had been held from 1 July 2010. This unaudited information was compiled by GUD management based on financial information available to GUD during due diligence and does not contain any material transactions between GUD and Dexion Limited.

Goodwill on the purchase of Dexion Limited is mainly attributable to the skills and technical talents of the acquiree's workforce and to additional investment in improved technologies.

30. Acquisitions continued

Acquisition of Monarch Pool Systems Europe and Monarch Pool Systems Iberica

On 1 June 2011, the Consolidated Entity completed the acquisitions of 100% of the shares of Monarch Pool Systems Europe (MPSE) and Monarch Pool Systems Iberica (MPSI), distributors of Davey's pool products in France and Spain respectively. The acquisitions were for a total cash consideration of $7.2 million plus acquisition costs of $0.2 million.

The fair value of the net assets acquired and the intangibles arising on acquisition have been provisionally determined. As at the date of this report the Directors have not finalised their assessment of fair value. Accounting standards permit up to 12 months for acquisition accounting to be finalised following the acquisition.

	Book value $'000	Fair value adjustments $'000	Total $'000
Consideration			
Cash	7,209	–	7,209
Total consideration	**7,209**	**–**	**7,209**
Fair value of assets acquired			
Cash	2,180	–	2,180
Property, plant and equipment	35	–	35
Inventories	2,647	–	2,647
Trade and other receivables	700	–	700
Other assets	11	–	11
Trade payables, other payables and provisions	(1,757)	–	(1,757)
Net assets acquired	**3,816**	**–**	**3,816**
Goodwill on acquisition			**3,393**

For the full year ended 30 June 2011, MPSE and MPSI contributed revenues of $0.8 million, underlying EBIT of $0.1 million and a profit after tax of $0.1 million.

The GUD Consolidated Entity would have had an additional $0.8 million of revenue (after eliminating sales from Davey to MPSE) and $0.5 million profit after tax if MPSE and MPSI had been held from 1 July 2010. This unaudited information was compiled by GUD management based on financial information available to GUD during due diligence.

Goodwill on the purchase of MPSE and MPSI is mainly attributable to the marketing and sales skills and technical talents of the acquiree's workforce, and established strength of distribution of Davey branded products.

31. Events subsequent to balance date

Dividend declared

On 28 July 2011, the Board of Directors declared a fully franked dividend of 35 cents per ordinary share. Record date is 30 August 2011 and the dividend will be paid on 14 September 2011.

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:
   i. giving a true and fair view of the financial position of the Consolidated Entity as at 30 June 2011 and of its performance for the financial year ended on that date;
   ii. 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 Finance Director for the financial year ended 30 June 2011.

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

On behalf of the Directors

C K Hall
Director

I A Campbell
Director

Melbourne, 28 July 2011

INDEPENDENT AUDITOR'S REPORT

KPMG

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 2011, and 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 31 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 2011 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 2011. 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 2011, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Paul Shannon
Partner

Melbourne
28 July 2011

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 2011 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Paul Shannon
Partner

Melbourne
28 July 2011

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 12 August 2011

Shares held	No. of shareholders	%	Shares	%
1 – 1,000	3,689	31.61	2,074,584	3.00
1,001 – 5,000	5,969	51.15	14,821,287	21.45
5,001 – 10,000	1,311	11.23	9,338,219	13.52
10,001 – 100,000	676	5.79	12,660,183	18.32
100,001 and over	24	0.21	30,195,338	43.70
Total	11,669	100.00	69,089,611	100.00

There are 64 shareholders holding less than a marketable parcel of shares. A marketable parcel is $500.00.

The Twenty Largest Shareholders as at 12 August 2011

	Number of Shares	%
National Nominees Limited	7,140,032	10.33
HSBC Custody Nominees (Australia) Limited	5,192,427	7.52
J P Morgan Nominees Australia Limited	4,223,542	6.11
RBC Dexia Investor Services Australia Nominees Pty Limited <Pipooled A/C>	3,178,696	4.60
Australian Foundation Investment Company Limited	2,415,152	3.50
Citicorp Nominees Pty Limited	1,398,735	2.02
Argo Investments Limited	1,395,000	2.02
Cogent Nominees Pty Limited	960,520	1.39
JP Morgan Nominees Australia Limited <Cash Income A/C)>	683,841	0.99
Citicorp Nominees Pty Ltd <Colonial First State Inv A/C>	530,079	0.77
AMP Life Limited	525,412	0.76
Perpetual Trustee Company Limited	484,688	0.70
Queensland Investment Corporation	242,637	0.35
Citicorp Nominees Pty Ltd <Cwlth Bank Off Super A/C>	223,312	0.32
UBS Wealth Management Australia Nominees Pty Ltd	220,059	0.32
Sandhurst Trustees Ltd <Harper Bernays Ltd A/C>	212,100	0.31
RBC Dexia Investor Services Australia Nominees Pty Ltd <BKCUST A/C>	210,000	0.30
Mrs Jillian Anita Cobcroft	209,100	0.30
Integra Nominees Pty Ltd <INTEGRA S/F A/C>	140,713	0.20
Mr Ian Campbell	138,241	0.20

Substantial Shareholder of GUD Holdings Limited

As at 12 August 2011, there were no current substantial shareholders.

SHAREHOLDER SERVICES AND INFORMATION

Dividends/Dividend Reinvestment Plan

The Company offers a Dividend Reinvestment Plan (DRP). Particulars can be found on the Company website www.gud.com.au

Direct Payments to a Bank, Building Society or Credit Union

Shareholders are encouraged to have cash dividends paid directly into any bank, building society or credit union account in Australia. You can update your account details by accessing the share registry Investor Centre at www.computershare.com.au

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 Company or the share registry in writing immediately there is a change in their address or name. For the protection of shareholders, instructions to the Company need to be in writing, and must indicate the shareholder's reference number (SRN) or Holder Identification Number (HIN). Alternatively, you may update your address and banking details by accessing the share registry Investor Centre at www.computershare.com.au

Share Holding Consolidation

Shareholders are encouraged to consolidate shareholding into one name and identification number. A 'Request to Consolidate Holdings' form can be downloaded from the share registry Investor Centre at www.computershare.com.au. 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.computershare.com.au. Shareholders can elect 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.computershare.com.au

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 Vic 3067

Postal Address
GPO Box 2975
Melbourne Vic 3001

www.computershare.com.au
www.investorcentre.com/contact

FINANCIAL SUMMARY AND RATIOS

		2007 $ millions	2008 $ millions	2009 $ millions	2010 $ millions	**2011 $ millions**
Sales and Profitability						
Sales Revenue		518.7	534.9	468.3	474.7	**592.8**
Underlying EBIT*	Consumer Products	26.8	33.0	29.9	33.9	**38.8**
	Automotive Products	16.9	19.4	19.3	21.6	**25.9**
	Water Products	19.1	13.5	15.0	19.6	**9.0**
	Industrial Products	2.3	2.5	1.3	1.7	**6.2**
	Unallocated/Discontinued	(4.9)	0.0	(4.7)	(5.3)	**(2.8)**
Total Underlying EBIT*		60.2	68.4	60.8	71.6	**77.1**
Net Underlying Profit Before Tax*		51.3	59.0	53.1	65.2	**68.2**
Net Underlying Profit After Tax*		36.1	41.6	37.4	46.4	**49.0**
Acquisition, integration and restructuring costs		(3.6)	(6.6)	(3.7)	0.0	**(12.3)**
Net Profit Before Tax		47.7	52.4	49.3	65.2	**55.9**
Net Profit After Tax		33.6	37.4	34.8	46.4	**39.7**
Cash Flow						
Cash Flow from Operating Activities		48.8	67.2	57.9	78.2	**67.8**
Financial Position						
Current Assets		184.1	184.7	167.8	174.9	**212.4**
Current Liabilities		104.1	60.5	63.1	66.2	**111.9**
Net Debt		94.7	86.2	90.6	16.3	**102.1**
Net Tangible Assets		32.8	27.8	39.5	126.3	**86.2**
Total Equity		139.3	120.1	131.1	218.1	**257.6**

	2007	2008	2009	2010	**2011**
Per Share Performance					
Underlying Earnings Per Share* – cents	60.2	69.6	64.5	76.5	**71.7**
Earnings Per Share – cents	56.2	62.6	60.0	76.5	**58.1**
Dividend declared per Share – cents	61.0	68.0	60.0	62.0	**64.0**
% Franked	100%	100%	100%	100%	**100%**
Payout Ratio*	101.3%	97.7%	93.1%	81.1%	**89.3%**
Share Statistics (at 30 June each year)					
Total Shares on Issue – millions	59.9	57.9	60.1	65.9	**69.1**
Closing Share Price $	9.18	7.57	6.42	8.65	**9.10**
Market Capitalisation	550.0	438.0	386.0	569.9	**628.7**
Key Ratios					
Underlying EBIT/Sales*	11.6%	13.4%	13.0%	15.0%	**13.0%**
Return on Capital Employed*	15.4%	20.0%	16.8%	18.7%	**13.0%**
Return on Equity*	25.9%	34.6%	28.5%	21.3%	**19.0%**
Return on Assets*	11.8%	15.5%	13.0%	14.8%	**10.1%**
Net Debt/Total Capital	40.5%	41.8%	40.9%	6.9%	**28.4%**
Net Debt/Market Capitalisation	17.2%	19.7%	23.5%	2.9%	**16.2%**
CVA Return*#	14.8%	16.5%	16.9%	19.7%	**19.9%**
Working Capital^/Sales	19%	19%	20%	19%	**15%**
Capital Expenditure/Depreciation and Amortisation	129%	115%	92%	83%	**94%**
Interest Cover – times*	6.7	7.2	7.9	11.2	**8.7**

* Underlying results exclude Acquisition, integration and restructuring costs.

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

Excludes Dexion in 2011.

CORPORATE DIRECTORY

Directors
C K Hall, Chairman
I A Campbell, Managing Director
P A Hay
R M Herron
M G Smith
R J Wodson

Company Secretary
M G Tyler

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KPMG
Chartered Accountants

Share Register
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FINANCIAL CALENDAR 2011/12

2011

September
Payment of dividend – 14 September 2011

Annual Report mailed to shareholders

October
Annual General Meeting – 20 October 2011

2012

January
Announcement of results for the half-year ending 31 December 2011

Announcement of dividend

March
Record date for interim dividend

Payment of interim dividend

June
End of Company's 2011/12 financial year

July
Preliminary announcement of results for 2011/12 financial year

August
Record date for final dividend

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 Thursday, 20 October 2011 at 11.00 a.m.

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

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