GUD Holdings Annual Report 2013

Letter from the Chairman

Ross M Herron
Chairman

On behalf of the Directors of GUD Holdings, I am pleased to present the Annual Report for the 2013 financial year. The following Operational and Financial Review outlines in detail the performance of the GUD Group's businesses in that year. Needless to say the trading conditions were the toughest faced for some time, especially in the Consumer and Industrial business segments. It was pleasing to see improvement in the performance of the Davey water products business after two unusually wet years, while our leading automotive filtration brands – Ryco and Wesfil – continued to serve their aftermarket customers extremely well.

The completion of the 2012/13 year also marks a distinct point in GUD's recent history, it being the last full year of Ian Campbell's stewardship. Ian has been GUD's Managing Director since October 1998 and, over the last 14 years, has led a fundamental transition of the business. From being heavily involved in local manufacturing in the late 1990s, GUD is now positioned as a brand owner with a large degree of flexibility in where it sources its products. Some businesses retain their own manufacturing capability, some source their complete product range while others employ a variety of product sources.

Over the period of Ian's tenure GUD has consistently maintained a leading position as a generator of shareholder wealth within the S&P/ASX200. The strategies that he has implemented, with the support of the various businesses' management teams, the portfolio activities he has driven, including both divestments and acquisitions, along with the culture he has created, have underpinned this strong performance.

The Board acknowledges Ian's exceptional contribution over the last 14 years and wishes him well in his time post-GUD.

As announced in May 2013, Jonathan Ling has been appointed to the position of Managing Director. Jonathan has an outstanding track record as a capable business manager and is extremely well-qualified as Ian's successor. He has experience in identifying growth opportunities for multi-business groups, operating in essentially mature markets, and he has an in-depth understanding of product businesses in industrial and consumer markets.

Jonathan Ling
Managing Director
(announced May 2013)

'I'm delighted to be part of the GUD team. Our initial focus will be to improve performance in the Dexion and Sunbeam businesses while maintaining growth in our automotive, water and other businesses, and continuing to build on our portfolio of branded businesses.'

The Board and the business units' management teams are jointly looking forward to working with Jonathan in the coming years. We eagerly anticipate his approach to the challenges confronting the businesses as the 2013/14 year unfolds.

Our overall strategy, which has worked well in the past, will not dramatically alter. GUD will continue to operate its portfolio of branded businesses in an efficient manner and will seek sustained growth for those businesses. Whilst GUD will continue to consider acquisitions, there is no change to our strategy of creating shareholder value based on brand ownership.

On behalf of my fellow Directors I thank all staff for their contributions and achievements over the year and I also thank shareholders for their ongoing support.

Ross M Herron Chairman

Operating and Financial Review

Ian Campbell
Managing Director

For the second consecutive financial year GUD's businesses operated in an environment of exceptionally challenging market and competitive conditions. A combination of increased competition in all industry sectors in which GUD is active, increasing demands from major retail customers for improved trading terms and additional promotional support funds and a relatively subdued local market for major logistics projects, led to a small decline in sales compared with the prior year.

The diversity of the end use markets served by GUD's businesses exposes the Group to a number of varied demand factors. In the small appliance industry Sunbeam is affected by both non-discretionary and discretionary consumer expenditure trends, while demand for Oates' cleaning products tends to be related to non-discretionary factors. Consumer purchasing trends in both Australia and New Zealand have been affected by low confidence and almost permanent price-discounted sales initiated by most major retailers. Simultaneously Australia, in particular, has been targeted by international small appliance brands as they seek growth outside of their home markets, from Europe especially, which have been subdued for some time.

Sales for Davey's water products are heavily weather dependent in the local market, while internationally Davey's business is subject to movements in the Australian currency. Australia experienced two exceptionally wet years in 2010 and 2011, which significantly reduced demand for water products across a number of key market sectors. A return to warmer and drier conditions occurred over the summer season in 2012 and this has translated to modest increases in product demand locally.

The Automotive businesses, including the two leading brands in the aftermarket filtration sector – Ryco and Wesfil – are dependent on the number of vehicles on the road and on service intervals to drive demand for automotive filters. Vehicle numbers are growing in the served markets, but simultaneously the diversity of the vehicle population is also increasing. This results in filter suppliers having to identify and stock a broader range of part numbers so that market needs can be met. GUD's brands in this market are keeping up with these changes and consequently have been increasing market share over the year.

Both businesses in the Industrial segment – Dexion and Lock Focus – are heavily tied to cycles in the building industry. As a supplier of steel racking and automated systems for large-scale industrial warehouse complexes and of office storage products, Dexion is reliant upon business capital investment cycles. In recent years major warehouse, new office and office refurbishment projects have been deferred from their original project timelines as customers have sought to preserve cash, while the smaller end of the market has been exceedingly competitive as entrants have fought to maintain volume.

Dexion enjoyed a strong order inflow during late calendar 2011 and early calendar 2012 that positioned it well for the first quarter of the 2012/13 financial year, but since that time sizeable new projects have been difficult to secure.

Lock Focus sells to manufacturing customers in a number of end use industries, including garage doors, office furniture, residential doors and windows and to manufacturers of caravans and other utility vehicles. Many of these customers have been operating on shortened weeks (three or four days), reflecting the state of demand for their products in the Australian market and this resulted in a small sales decline in 2012/13.

GUD owns and operates a diversified portfolio of well-known consumer, trade and industrial branded companies. All GUD's brands are leaders in their respective markets and industries and all have long heritages and unrivalled brand reputations.

Brand Portfolio Profile

Brand	PRODUCTS	MAIN MARKETS AND CUSTOMER TYPES
Sunbeam	**Small electrical appliances** – Toasters, kettles – Food preparation appliances – Cooking appliances – Irons and ironing boards – Heated blankets – Espresso machines	**Australia and New Zealand** Department stores, mass merchants and electrical specialists
Oates	**Cleaning products and chemicals** – Mops and buckets – Brooms and brushes – Cloths and wipes – Commercial cleaning equipment – Specialty cleaning chemicals	**Australia** Supermarkets, mass merchants, hardware outlets, industrial and commercial distributors
DAVEY	**Water pumps and associated equipment** – Domestic water pressure systems – Rainwater harvesting products – Swimming pool pumps, filters, UV disinfection and cleaners – Spa pumps and controllers – Water treatment products and systems	**Australia, New Zealand and 40 international markets** Water specialists, rural merchants, pool builders, pool shops, spa manufacturers, tank manufacturers and international distributors
RYCO FILTERS	**Aftermarket filtration** – Automotive oil, air, cabin air and fuel filters – Transmission filters – Agricultural and heavy duty filters	**Australia and New Zealand** Automotive parts trade distributors and retailers
WESFIL	**Aftermarket filtration and other service parts, including** – Automotive oil, air, cabin air and fuel filters – Timing belts and kits – Wiper blades – Light globes – Fuel pumps	**Australia** Automotive parts trade distributors, retailers and independent resellers
DEXION®	**Industrial and commercial storage products and systems** – Industrial warehouse pallet racking and associated systems and equipment – Commercial storage products and systems, including cabinets and Compactus® units – Industrial and commercial project management	**Australia, New Zealand, South East Asia, China, Middle East** Operators of industrial warehouses, Dexion Supply Centres, office equipment resellers, architects and interior designers
LOCKFOCUS	**Locking systems and other security products for** – Garage doors and garden sheds – Metal furniture products – Caravans and utilities – Doors and windows	**Australia, New Zealand and export markets** Original equipment manufacturers, locksmiths and security products distributors

GUD operates a structured brand management program that includes a formal planning process and an annual check on brand health. The latter provides feedback to management on the perceptions held by the relevant target audiences on a range of essential brand attributes.

Financial Performance Review

SALES

Total GUD Group sales declined by two per cent or $12.6 million from the level recorded in the previous financial year, to $596.5 million. The principal sales trends evident in the current year were:

- All business segments with the exception of Consumer reported sales growth. The decline in Consumer was $24.9 million or 11 per cent with both Sunbeam and Oates registering lower sales compared with the prior year. This resulted from a combination of lower demand in some appliance product segments, increased competition in other categories and reduced demand for Oates cleaning products in the mass merchants and commercial distributor channels. Both Sunbeam and Oates maintained market leadership positions (as measured by independent market research in their respective industries) despite these sales slippages.
- Sales in the Davey water products business increased by $1.8 million, or two per cent, to $100.9 million. Sales recovered across all major markets – Australia, New Zealand and export. However, sales deteriorated in the European swimming pool distribution business due to a combination of continuing unfavourable economic and weather conditions. In all markets there was evidence of improving demand conditions in the last quarter of the financial year.
- The Industrial business, comprising Dexion and Lock Focus, reported sales growth of $9.1 million, or four per cent, over the previous year. Lock Focus experienced a slight sales decline, while Dexion's sales grew by nearly five per cent, principally from strong activity in Asian markets for warehouse racking and associated systems. The Commercial arm of Dexion suffered from a further contraction in revenue mainly due to extremely sluggish demand in reseller channels in Australia.
- GUD's Automotive businesses also enjoyed sales growth in the 2012/13 year of $1.4 million or two per cent, to a record level of $87.3 million. Both Ryco and Wesfil brands contributed to this result, with a more sizeable contribution from Wesfil over the year. In a continuing competitive environment, the success of both brands' marketing and selling activities is evident in this result and also in the improvements in market share registered by both.

PROFIT

Underlying EBIT (before restructuring and impairment costs) was $56.4 million, a decline of $13.9 million from $70.3 million.

Net profit after tax was $31.5 million compared with $92.8 million previously. The significant reduction in net profit after tax was primarily due to the inclusion in the prior year of the profit from the proceeds of selling shares that GUD held in Breville Group. The after tax contribution of this sale was $49.4 million in 2011/12.

Excluding the Breville share sale effect, and the integration, restructuring and impairment costs, net profit after tax fell from $44.2 million to $37.4 million, a reduction of 15 per cent.

The primary influences on the 2012/13 profit result are outlined below.

- A reduction in gross profit (excluding restructuring costs) of $20.9 million, which was a result of the $12.6 million sales decline and a contraction in gross profit margin. The respective contributions of each of these factors to the gross profit result were $5.1 million and $15.8 million.
- The contraction in gross profit margin stemmed from many factors including product mix, selective price reductions to counter competition and increased warranty provisions and costs. Gross profit margin reductions were evident in Consumer, Water and Automotive. The Industrial business reported an expansion in margins as a result of the manufacturing restructuring initiatives implemented in Dexion in recent years that were aimed at reducing product cost. This was achieved despite a major part of this business, the warehouse racking manufacturing arm, operating in an industry with substantial overcapacity in this region.
- Total overheads costs were $7.0 million lower in 2012/13, indicating a continuation of rigid cost control across all businesses.
- Dividends received declined by $1.8 million reflecting the loss of income from Breville dividends due to sale of the Breville Group shares in February 2012.
- Restructuring and impairment costs of $7.7 million pre-tax were incurred during the year. These relate to the closure of Dexion's commercial manufacturing facility in Wellington, New Zealand, and the cessation of most manufacturing at the same business's plant located in Sunshine, Victoria. The costs also include onerous lease effects in addition to an impairment charge of $1.8 million associated with the write-down of brand name values for Elite Built and Precision, reflecting the difficult trading conditions prevailing in commercial market segments.
- Net interest expense declined from $9.1 million to $5.2 million as a result of lower average debt levels during the year, again a consequence of the Breville share sale, and lower interest rates in 2012/13.

FOREIGN EXCHANGE

Foreign Exchange has a large impact on the Group financial result each year as many of the businesses buy products from suppliers in Asia, predominantly, priced in USD and sell those products to customers in Australia priced in AUD and New Zealand priced in NZD.

The GUD Group hedges up to 90 per cent of forecast USD purchases for the ensuing 12 months using a combination of Foreign Exchange contracts, options and collars.

In 2012/13 the average exchange rate for the AUD against the USD was similar to that of the prior year; therefore the impact of Foreign Exchange on the 2012/13 financial result did not significantly change.

At 30 June 2013, the GUD Group had committed to foreign exchange contracts for the 2013/14 financial year with a face value of US$86 million at an average exchange rate of US$0.99 against the AUD.

DIVIDENDS

The total dividend to shareholders for the year was 72 cents per share comprising 20 cents per share in special dividends and 52 cents per share in ordinary dividends. All dividends were fully franked.

The 20 cents per share special dividends were declared following the sale of the share in Breville Group and were scheduled to be paid in equal instalments of 10 cents per share with the interim and final dividends.

The total ordinary dividend of 52 cents per share compared with 65 cents per share in the prior year.

CASH GENERATION AND CAPITAL MANAGEMENT

Operating cash flow declined from $56.9 million in 2011/12 to $51.5 million in the current year. The main contributing factors to this are changes in the relative importance of the various business segments (i.e. decline in Consumer and growth in Industrial) and some product cost uplifts reflecting the increasing cost of labour in China, which were unable to be recovered in the market due to competitive conditions.

The cash provided by investing activities declined from an inflow of $68.3 million to an outflow of $22.4 million, with the major contributing factor being the effect of the sale of the Breville Group shares in the prior year. In 2012/13, the tax payable on that transaction also affected the cash position.

Investments in fixed assets and intangibles, such as product development and computer software, made to support or refresh the Group's product offerings, remained broadly stable compared with prior years.

Furthermore, dividends paid increased from $33.0 million to $70.8 million due to a combination of the payment of the 35 and 10 cents special dividends per share, which rewarded shareholders for the favourable Breville share divestment result, and the consequence of the suspension of the Dividend Reinvestment Plan (DRP).

The Dividend Reinvestment Plan was suspended due to GUD's strong balance sheet position. Net debt was relatively low and interest cover strong, primarily as a result of the influence of the Breville share sale proceeds on the net debt position. With this strong cash position GUD did not require further injections of equity, resulting in the DRP's suspension.

Financial Performance Review continued

CASH VALUE ADDED RETURNS

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

The CVAR performance for the GUD Group over the last five years is shown in the following table.

CVA Return	FY2009 %	FY2010 %	FY2011 %	FY2012 %	FY2013 %
Consumer	17.6	19.0	21.8	19.9	14.4
Automotive	43.2	47.8	53.2	55.8	51.4
Water	12.3	15.6	9.2	7.9	8.1
Industrial	9.1	11.5	11.1	7.3	6.9
Group	16.9	19.7	19.9	14.2	12.2

Notes
1 Based on underlying profit after tax.
2 Dexion excluded in FY2011 due to not being part of GUD for the full financial year.

The primary factors underpinning the CVAR performance in the 2012/13 year compared with the prior year are:

– Consumer's result was caused principally by the reduction in profit. The 2012/13 financial year return is comfortably above the weighted average cost of capital and Consumer remains a value creator for GUD.
– Automotive's capital employed base has increased due to higher costs of Ryco's new warehouse facility, which it has occupied since June 2012 and this has had the effect of reducing the economic return. However, at 51.4 per cent Automotive's return easily exceeds the weighted average cost of capital.
– CVAR in the Water Products business increased marginally from the prior year, but remains below the corporate cost of capital. Davey's CVAR contraction since 2010/11 can be related to the effect lower demand levels have had on this business's profitability. Davey is well positioned to generate satisfactory returns when more favourable weather patterns return in the local market.
– The full effects of the various restructuring programs implemented in Dexion since its acquisition in late 2010 are not yet evident in improving CVAR returns due to the effect that low demand levels and increasing competition have had on profitability in the last two years. Further profit improvement programs are planned for 2013/14 and beyond that will bring Industrial's CVAR to acceptable levels. These are described in the strategy section following.

Despite the extremely challenging trading conditions over the last three financial years, GUD's overall CVAR remains above the Group's cost of capital indicating that, although profits have declined, economic value is still being created.

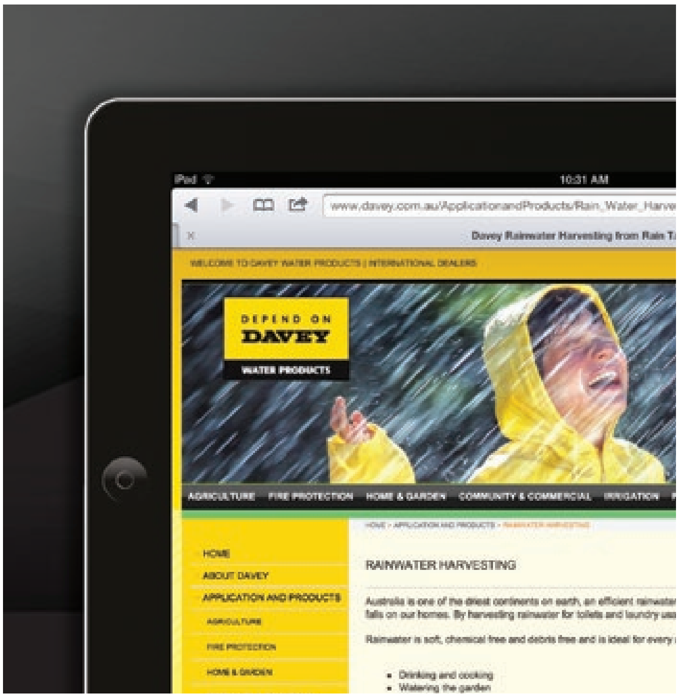
NET WORKING CAPITAL

In managing CVAR performance, business unit managers focus not only on profitability drivers, but also on the level of net working capital, which comprises trade and other receivables, inventory, and payables.

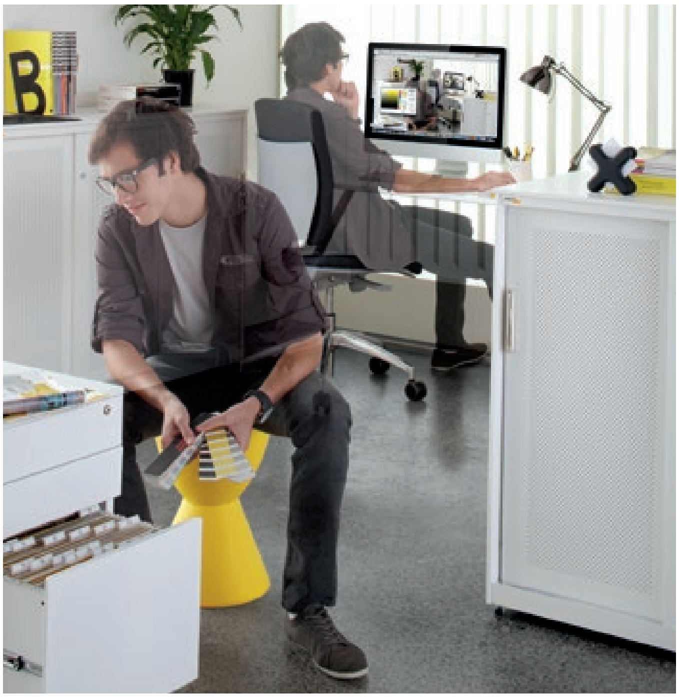
The net working capital level of $107.1 million was slightly up on the prior year's $105.3 million. Efforts during the year were aimed at improving the cash collection process and at driving performance uplifts in the Industrial business. These assisted in partly compensating for the reduced creditor level.

EXTERNAL FINANCING FACILITIES

GUD retains an external bank financing capacity totalling $180 million through club banking facilities with Westpac, National Australia Bank and the ANZ Banking Group. These facilities mature over the next two years ($100 million in July 2014 and $80 million in July 2015) and are sufficient to support the strategic focus and operational needs of the Company. Strong internal controls are in place to ensure compliance with covenant and ratio commitments. Additional minor facilities are in place to support the Asian subsidiaries' working capital requirements.



GUD firmly believes that brands provide the platform for future financial success. Fundamental in this thinking is the embodiment of a vigorous new product design and development program within each business's annual operating plan.



Strategy Review

As a portfolio manager of one of the Asia Pacific region's premier portfolios of consumer, trade and industrial brands, GUD's primary objective is to produce long-term shareholder returns above the cost of capital and to maximise the value of its brand portfolio for the benefit of shareholders. Strategy development and execution is focused at an individual business level and the businesses operate with a significant degree of autonomy within a framework of the overarching strategy.

This strategy is relatively simple and includes the following elements:

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

The overarching strategy outlined above was applied during the 2012/13 financial year and will apply in the 2013/14 financial year and beyond, unless stated otherwise. Actions taken on these strategy components during the 2012/13 financial year are detailed below.

IMPROVED MANUFACTURING EFFICIENCY

The focus of manufacturing efficiency improvements in recent times has been at Dexion. With the exception of the Shanghai warehouse racking factory, all other manufacturing plants have undergone substantial change or have had approved plans for future investments.

The most significant activities in the year have been:

- The closure of most of Dexion Commercial's Sunshine manufacturing operations and the shift to an outsourced product environment. The only remaining manufacturing capability at Sunshine is shelving systems for a specialised product range. Dexion Commercial Australia outsources its product range from both local and offshore suppliers. The result of this initiative has been a substantial uplift in gross profit margins in the latter half of the year.
- The full closure of Dexion Commercial's manufacturing operations in New Zealand and the move to sourcing the product range from both local and offshore suppliers. Similar to Australia, this action should result in an improved product cost position and enhanced competitiveness in an over-supplied market.
- Approval for a substantial investment in new plant for the Malaysian warehouse racking factory. When installed in FY2014, this new manufacturing line will enable Dexion Malaysia to improve its product cost position and to compete in market segments where it has been denied access due to not having the manufacturing capability. The Malaysian plant not only supplies the rapidly growing Asian and Middle Eastern markets, but is also a supplier to Dexion in Australia and New Zealand.
- The establishment of a number of process and cost improvement teams at Dexion's factory in Kings Park, New South Wales. These teams are progressively working through a number of projects that collectively should improve this factory's efficiencies and cost position.

SUPPLY CHAIN EFFICIENCY

Improvements in sourced product cost and supply chain efficiency are typically incremental rather than step-change. Each business that sources products negotiates with its suppliers to obtain competitive pricing at relevant product quality and volume targets. This includes Sunbeam, Oates, Ryco, Wesfil, Dexion Commercial and Davey.

The high cost of internal transport in Australia has led to each importing business reviewing its delivery points over time with the result that relatively more product is being shipped directly to markets such as Perth and Brisbane, thereby eliminating double handling and internal shipping costs.

Direct shipping requires some infrastructure at the destination point, either company operated or externally sourced, and also eliminates the need for costly external storage at major national distribution centres, especially in businesses such as Sunbeam that experience seasonal peaks in demand.

Davey has been active in reconfiguring its remote logistics capability by relocating its Perth operation in May 2012 (with a full year's effect in 2012/13) and in assessing its facility requirements in Brisbane, which will result in a relocation in the future.

In November 2012, Oates relocated its Sydney warehouse and office to a new, purpose-built facility. This should result in operational improvements accruing, due to being able to ship more product directly from offshore manufacturers into Sydney, rather than have products handled through the principal distribution centre in Melbourne.

NEW PRODUCT DEVELOPMENT

The combined GUD businesses invested a total of $8.6 million in research and new product development in the year 2012/13. A substantial element of this is in new products that will be launched to market in future years, especially in Davey and Sunbeam.

During 2012/13, the end result of prior year's investments in new product design and development were especially evident in Sunbeam, Davey and Oates.

Sunbeam traditionally launches new product ranges in advance of the two major peak trading periods for small electrical appliances – Christmas and Mother's Day. The products launched for these major gift-giving occasions usually cover all the major categories in which Sunbeam is active – food preparation, cooking, beverages, garment care and personal care. The 2012/13 product launches certainly maintained this spread.

For Christmas 2012, Sunbeam introduced the following to the small appliances market:

– Café Series® colour range comprising a blender, espresso machine, variable temperature kettle and Planetary Mixmaster®.
– An upgraded range of four bench blenders – marketed as Multiblender™.
– A multi-functional cooking appliance – the VersaCook™ electronic multicooker, with the ability to fry, deep fry, slow cook, steam and operate as a saucepan.
– Pro Glide™ steam station, representing Sunbeam's re-entry into this market segment after some years of not having this type of product to complement its market-leading range of irons.
– A number of product upgrades, including a breadmaker, compact oven, and food preservation system.

After this substantial activity, Sunbeam followed up by introducing nearly 20 new or upgraded products for Mother's Day 2013. These included:

– A number of food processors, including a Café Series® model with new features, incorporated after extensive consumer research.
– Two innovative cooking appliances – the Aviva™ pressure cooker and the Duos™ sous vide machine, the latter appealing to competent home cooks wanting to reproduce restaurant quality food with the latest technology.
– A range of contemporary and coloured Sunbeam electric frypans.
– A range of new toasters – the Maestro series along with a number of other breakfast products.
– A new heated blankets offering, with new packaging, incorporating Sleep Perfect™ technology.

The small appliances market demands constant innovation and freshness. To maintain its market-leading position, Sunbeam must be cognisant of changing consumer needs and lifestyle trends and incorporate these into product features for the future. Being the only brand dedicated to the Australian and New Zealand markets, Sunbeam is well positioned to use its understanding of the particular requirements of local consumers to drive product development direction. The products described above and those slated to be launched for Christmas 2013 and Mother's Day 2014 exemplify this approach.

The Davey water products business had an exceedingly active year for new product introductions in 2012/13. There were five major new product launches covering each primary application segment in which Davey is active. Many of these products have been developed in recent times in response to Davey developing a deep understanding of specific market and user needs.

The specific details of these product launches are:

– The PowerMaster® ECO pump was introduced in the swimming pool market segment. This product is unique in the market, having an 8 Star energy rating, thereby providing pool owners with substantial savings on their swimming pool energy costs. The features and benefits encompassed in this product were recognised by it being announced as Product of the Year and being bestowed the Energy Saving Award at the 2012 Splash Awards for the swimming pool industry.
– Through working closely with a significant water tank manufacturer, Davey took development of its market-leading RainBank rainwater harvesting controller to another level and launched the EVO 2 RainBank controller. The major benefits of this product are reductions in installation time and cost, as well as aesthetic improvements as the unit is located inside the rainwater tank.
– In the developing domestic market for water treatment systems, the Aquashield Centurion filtration and UV disinfection system was brought to market. This is a pre-assembled 'plug and play' water treatment system for small and medium homes' potable water supply, targeted at consumers who already have a rainwater harvesting system in place.
– Building on its market-leading position in engine-driven pumps for domestic bushfire fighting with its Firefighter® pumps, in 2012/13 Davey launched a range of pumps designed to assist with flood protection – the Floodfighter.
– Davey's range of submersible borehole pumps was upgraded and relaunched. The new range offers a number of new features and is more competitively priced.

Strategy Review continued

During 2012/13, Oates was also highly active in getting new products to market, the majority of which were specifically designed and developed for industrial and commercial customers. Many of these were introduced to the market at a major trade show in Sydney. The products launched included an Oates designed and developed janitor's cart, a new flat mop trolley, along with innovative wide-mouth and institutional buckets. Additionally, Oates sourced products to add to its range, including a European fluid mop system and a unique window cleaning range.

INVESTING IN BRANDS

Since 2007 GUD has operated a common brand management process across all businesses. This process involves the creation of an annual brand plan, in conjunction with the annual budget planning cycle. Each plan outlines the actions to be undertaken to strengthen the brand, both within the forthcoming budget year and beyond.

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

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

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

In the context of the brand planning disciplines instilled in GUD's operating businesses, the major brand investment activities that occurred in 2012/13 were:

1. A strategic audit of Sunbeam's position in the context of the fundamental changes that have occurred in its market place in recent years, including brand proliferation, growth of private label and intensified competitive new product launch activity. This audit resulted in a number of crucial initiatives being implemented that will become evident in future years.
2. A review of the brand architecture in the Dexion business, which will result in the move to a unified brand approach in future years.
3. The implementation of formal brand positioning checks for Ryco and Dexion to determine their continuing relevance in the context of changing market conditions.
4. A review of Davey's brand communication strategy, which has led to a number of substantial changes in the way this brand will be presented to consumers and dealers from the 2013/14 year onwards.

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

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

VALUE-CREATING ACQUISITIONS

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

The Group remains active in searching for value-creating acquisition opportunities and assessed a number of potential candidates over the year. For a variety of reasons none of these were actively pursued.

Corporate Social Responsibility

HEALTH AND SAFETY

At 30 June 2013, the GUD Group employed 1,474 people compared with 1,590 at the end of the prior year. There were no major acquisitions or divestments during the year, but some restructuring occurred at Dexion, which affected employee numbers.

The emphasis on health and safety in the workplace continued through the Group Occupational Health and Safety Steering Committee. Representatives from each business meet monthly to review policies and procedures and to discuss general matters relating to health and safety.

This year's focus has been on extending GUD's culture, health and safety training, management and reporting requirements into overseas operations, where approximately 400 of the workforce are employed.

The safety record improved over the year with a halving of the number of lost time injuries to 10 and a reduction in the number of medically treated injuries. Businesses continued to look for innovative ways to refresh the safety message. A system of internal peer Group audits occurs across all major sites with businesses encouraged to conduct similar audits at smaller interstate sites.

For a number of years businesses have been reporting on four lead safety performance measures. A focus on these and other important indicators assists in enabling the maintenance and extension of the strong health and safety culture amongst all Group employees.

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

SUSTAINABILITY

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

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

GUD addresses sustainability on two levels:

1. Striving to design and make more environmentally sustainable products, in terms of efficiency, materials usage and recycling.
2. Auditing the Group's manufacturing and distribution operations and processes to optimise performance.

During the year, the Group undertook a broad-ranging audit of each of its businesses to assess sustainability in those businesses.

The assessment identified a number of key factors to address in each business:

- Management and leadership practices
- energy efficiency
- water efficiency
- materials and waste efficiency
- climate change and greenhouse gas emissions
- sustainable supply chain
- community and wellbeing
- biodiversity
- innovation and integration.

Individual businesses scored differing results in the assessment, with the highlight being acknowledged best practice leadership in a number of areas including supply chain sustainability, resource efficiency, product design sustainability and lifecycle assessment and adoption of environmental management systems.

The businesses acknowledge that the assessment revealed areas for improvement and the focus over the coming years will be to identify and quantify the benefits to the business from these improvements.

Risk Review

OPERATIONAL RISKS

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

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

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

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

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

- Supply chain risk, which includes supplier failure and the inability to receive products sourced from offshore suppliers. GUD is heavily dependent on offshore suppliers for a substantial proportion of its product range. Both the Consumer and Automotive businesses import their full product needs, while Industrial and Water both produce product and source from external suppliers. There are a number of individual risks that could be included under this subject, including supplier financial failure and country risk through sourcing and shipping predominantly from one location.
- Brand reputation risk due to poor product quality from external suppliers. GUD relies heavily on external manufacturers to supply products that comply with GUD's brand quality standards. Any decline in quality could cause major reputational damage and a consequent degradation in brand equity.
- Consolidation of the customer base. Further consolidation of corporate ownership of the customers served by GUD's businesses could potentially lead to pressures to negotiate less favourable trading terms (for GUD) and to demands for additional promotional allowances and other margin-reducing activities.

FOREIGN EXCHANGE RISK

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

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

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

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

This risk has also been identified as a material business risk that could adversely affect achievement of GUD's strategy outlined in the 'Strategy' section above and financial prospects described in the following section headed 'Outlook'.

Outlook

Current indications are that the extremely competitive nature of the markets in which GUD's brands are active will prevail for at least the 2013/14 year and possibly beyond. While Australia, in particular, offers international brands a relatively stable environment in which to establish and cement their brand presence, albeit with a relatively small market size, the competition for shelf space, share of voice and ultimately of products purchased is not expected to lessen.

However, GUD is in a unique position of owning and managing a portfolio of local, market-leading brands that connect well with consumer, trade and business customers in this region. The focus for the Group rests principally on maintaining and developing brand presence across each aspect of the previously described strategy.

All businesses are dedicated to improving market position and, consequently, profitability through new product design and development. In that context, no change in the commitment to fixed asset or product development investments is anticipated, with the exception of limited additional Dexion plant investments.

In addition, one of the major strategic priorities for GUD is to continue the operational efficiency programs in Dexion, especially in the warehouse racking manufacturing business, with the aim of moving to an above cost of capital return within two years. This will most likely entail further investments in manufacturing capacity in Malaysia to support market growth in the Asian region and implementing additional production efficiency initiatives in Australia.

The other business in GUD's Industrial segment, Lock Focus, is targeting growth in new market segments with original equipment manufacturer customers. Many of the projects that will underpin this growth have been underway for some time and should reach commercialisation in the 2013/14 year. Additionally, this business is establishing a more direct route to market through a locksmith dealer network, much of which was in place at the end of the 2012/13 financial year.

Over the outlook period Sunbeam is focusing on a number of actions aimed at building scale, improving brand health and delivering operational efficiencies. The scale challenge is being addressed by identifying and establishing marketing partners in offshore markets who want to access Sunbeam-designed products to market in their jurisdictions under their brand names. This initiative is occurring at present with a number of potential partners and should result in supply commencing once satisfactory commercial arrangements are agreed.

In relation to brand health, Sunbeam will undertake a number of actions including introducing a new brand architecture aimed at addressing specific needs of consumer segments, and implementing a new brand campaign and refreshed point-of-sale materials aimed at engaging younger consumers. In addition, Sunbeam will commence selling accessories directly to consumers utilising its new website technology.

Oates is aiming to launch a number of new products targeted at retail consumers, in particular. In addition it will be capitalising on recent product launches for professional cleaners to underpin growth in commercial and industrial cleaning products distributors and more actively seeking export markets for products in its range that have substantial points of difference.

Davey is working on a number of actions to improve both sales and profitability over the outlook period. These include introducing a brand refresh in the current financial year, upgrading Davey's leading Master Dealer program to secure improved access to market and building on the work done in recent years to gain a greater share of business internationally. In addition, a number of significant and potentially market-defining new products are in the pipeline and these are scheduled for launch, pending satisfactory field testing, in late 2014 and into 2015.

The Ryco business is targeting sales growth through extending into new product areas in filtration, including agriculture and other 'heavy duty' applications. Ryco will also undergo a brand refresh by launching new packaging, and it will continue to invest in its highly successful marketing activities at workshop and mechanic level.

The Goss brand, which is managed by the Ryco business, will continue its recent rebirth by establishing an export market in New Zealand and by adopting elements of Ryco's marketing and selling approach to grow sales in the domestic market.

Wesfil, which also operates in the automotive aftermarket, is targeting an improvement in its operational efficiencies over the outlook period by introducing online ordering for customers. In addition it will assess the viability for further cost improvement through the potential consolidation of its Sydney base from multiple warehouses to a 'single roof' operation.

The recent weakening of the Australian dollar against the US dollar provides a further set of challenges for the coming year. The various operating divisions of GUD will be working to counteract the effects of cost inflation that will eventuate with a lower currency, through a combination of price management and internal efficiency improvements.

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 2013.

Directors, Company Secretary, Directors' Meetings and Directors' shareholdings

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

Details of Directors' Meetings and Board Committees' meetings, including attendances, are on page 20 and Directors' interests in the Company on page 19 in the accompanying Corporate Governance Statement.

Corporate governance statement

The Corporate Governance Statement of the Directors is set out on pages 18–25, and forms part of this Directors' Report.

Principal activities

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

Other than as referred herein and in the Operating and Financial Review set out on pages 2–15, there were no significant changes in the nature of the activities of the consolidated entity during the year.

Operating and Financial Review

The Operating and Financial Review for the consolidated entity during the financial year is set out on pages 2–15, and forms part of this Directors' Report.

Significant changes

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

Events after balance date

Dividend announcement

On 24 July 2013, the Directors determined to pay a fully franked dividend of 26 cents per ordinary share. Shares will trade ex dividend on 14 August 2013, with the record date of 20 August 2013. The dividend will be paid on 3 September 2013. The GUD Dividend Reinvestment Plan has been suspended for this dividend.

Special cash dividend

On 24 July 2013, the Directors also determined to pay a fully franked cash dividend of 10 cents per ordinary share. The shares will trade ex dividend on 14 August 2013, with a record date of 20 August 2013. The dividend will be paid on 3 September 2013. The GUD Dividend Reinvestment plan has been suspended for this dividend.

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 35 cents per share in respect of the year ended 30 June 2012 was declared on 26 July 2012 and paid on 3 September 2012, amounting to $24,781,209. This dividend was fully franked.
- A special dividend of 35 cents per share was declared on 26 July 2012 and paid on 3 September 2012, amounting to $24,781,209. This dividend was fully franked.
- An interim ordinary dividend of 26 cents per share was declared on 22 January 2013 and paid on 6 March 2013, amounting to $18,548,742. This dividend was fully franked.
- A special dividend of 10 cents per share was declared on 22 January 2013 and paid on 6 March 2013, amounting to $7,134,132. This dividend was fully franked.
- A final ordinary dividend of 26 cents per share in respect of the year ended 30 June 2013 was determined on 24 July 2013, payable on 3 September 2013 to shareholders registered on 20 August 2013. This dividend will be fully franked.
- A special dividend of 10 cents per share was determined on 24 July 2013, payable on 3 September 2013 to shareholders registered on 20 August 2013. This dividend will be fully franked.

Share capital

At 30 June 2013, there were 71,341,319 ordinary shares on issue. During the year the Company issued 537,864 new shares under the GUD Dividend Reinvestment Plan.

Auditor independence

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

The auditor's independence declaration made under section 307C of the *Corporations Act 2001* is set out on page 80 of the accompanying Financial Statements and forms part of this Report.

Non-audit services

Details of the amounts paid or payable to the Company's auditors, KPMG, for non-audit services provided during the year are shown in note 22 to the financial statements, which accompany this Directors' Report.

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

Options and rights

A total of 372,471 Performance Rights were granted to executives under the GUD Holdings Long Term Incentive Equity Plan in December 2012, following approval of the Plan by shareholders at the 2012 Annual General Meeting. Details of the Performance Rights granted to key management personnel are included on pages 33 and 34 in the Remuneration Report, which forms part of this Directors' Report. Otherwise, no options or rights were granted during the year and no options or rights have been granted since the end of the financial year. No options were exercised during the financial year. There are no unissued shares or interests under option as at the date of this Report.

Derivatives and other financial instruments

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

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

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

Proceedings on behalf of the Company

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

Indemnity and insurance

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

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

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

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

Remuneration policy for Directors and Executives

The policy for determining the nature and amount of remuneration for Directors and Executives is described in the Remuneration Report on pages 26–37, which forms part of this Directors' Report.

Director and Executive benefits

Details of the benefits paid or provided to Directors and specified Executives are included in the Remuneration Report on pages 26–37, which forms part of this Directors' Report, and in summary in note 21 to the financial statements.

Rounding off

The Company is a company of the kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and, in accordance with that Class Order, amounts in this Report and the accompanying financial statements have been rounded off to the nearest one thousand dollars unless otherwise stated.

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

R M Herron Chairman of Directors

I A Campbell Managing Director

Dated at Melbourne, 24 July 2013

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 and amended in 2010.

The table at the end of this statement cross references the disclosures and statements in this corporate governance statement to the ASX Principles.

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

1. THE BOARD OF DIRECTORS

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

1.1 Role of the Board

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

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

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

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

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

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

To fulfil this role, the Board is concerned with:

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

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

1.2 Composition of the Board

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

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

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

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

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 Access to independent advice

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

1.5 Directors' interests and benefits

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

	Shares held beneficially 30/6/2013		Total 30/6/2013	Total 30/6/2012
Directors	Own name	Private company/ trust		
R M Herron	10,768	12,442	23,210	23,210
P A F Hay	3,863		3,863	3,707
M G Smith		5,560	5,560	5,560
G A Billings			Nil	Nil
D D Robinson			Nil	Nil
I A Campbell	40,000		40,000	291,991

1.6 Term of office and re-election of Directors

In the appointment of Directors, the Board has sought advice from independent sources and undertaken independent professional searches for suitable candidates possessing the appropriate range of skills, expertise and competencies. In June 2011, the Board adopted a Diversity Policy – see section 5.4 below.

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

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

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

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

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

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

2. BOARD COMMITTEES

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

Board Committees comprise Non-Executive Directors. Details regarding the role of each Committee and their composition as at 30 June 2013 are set out as follows:

2.1 Audit & Compliance Committee

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

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

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

– reviews the scope, performance and fees of the external auditor;

– oversees and appraises the quality of audit and reviews conducted by the external auditors;

– maintains communications between the Board, external auditors and management;

– reviews financial information prepared by Management for external parties;

– reviews accounting policies and practices; and

– monitors compliance with applicable policies and controls.

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

2. BOARD COMMITTEES CONTINUED

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

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

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

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

Non-audit services that the external auditor is not permitted to provide include accounting assistance, mergers and acquisition origination or completion, actuarial services, valuation and fairness opinions, internal audit services, advice on deal structuring, executive recruitment services, corporate strategy advice, legal services, general risk management reviews or services or acting as a broker, promoter or underwriter. The policy recognises that there may be circumstances where the external auditor may perform non-audit services without prejudicing the auditor's independence. Such circumstance may include small or minor tasks of an assurance or compliance nature or cases where the auditor is uniquely positioned to provide the services. A regime of approval limits is set out in the policy for the approval of non-audit services provided by the external auditor. The Committee also notes the external auditor's policy requiring the partner managing the Company's audit to be rotated within five years from the date of appointment. The external auditor attends the Annual General Meeting and is available to answer shareholders' questions about the conduct of the audit and the preparation and content of the auditor's report.

2.2 Remuneration Committee

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

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

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

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

The Remuneration Report on pages 26–37 includes further details on the Company's remuneration policy and its relationship to performance.

2.3 Nominations Committee

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

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

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

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

2.4 Directors' attendances at meetings

The Board held nine meetings during the year.

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

	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
R M Herron	9	9	4	4	4	4	1	1
P A F Hay	9	8	4	3	4	3	1	1
M G Smith	9	9	4	4	4	4	1	1
G A Billings	9	9	4	4	4	4	1	1
D D Robinson	9	9	4	4	4	4	1	1
I A Campbell	9	9						

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

3. PERFORMANCE EVALUATION AND REMUNERATION

3.1 Performance evaluation

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

For the 2013 financial year, a performance evaluation was led by the Chairman. The purpose of the review was to assess strengths and weakness of the Board, its committees and individual Directors, and identify areas that might be improved. The findings of this performance review have been considered by the Board and have been, and continue to be, taken into account in nominating existing Directors for re-election, identifying and nominating new candidates for appointment as Director, and in planning and conducting Board and committee matters.

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

For the 2013 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 2013 financial year was reviewed by the Managing Director and by the Remuneration Committee in June 2013.

More detail on the criteria against which the performance of the Managing Director and other Executives is set out in the Remuneration Report on pages 26–37 of this Report.

3.2 Director and Executive remuneration

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

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

The structure and details of the remuneration paid to the Directors and Senior Executives during the period are set out in the Remuneration Report on pages 26–37 of this Report and note 21 to the financial statements.

4. RISK MANAGEMENT AND INTERNAL CONTROLS

4.1 Risk management framework

The Board, through the Audit and Compliance Committee, is responsible for ensuring there are adequate policies in relation to risk management and internal compliance and control systems. It is part of the Board's oversight role to regularly review the effectiveness of the Company's implementation of that system.

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

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

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

4.2 Internal controls framework

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

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

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

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

4.3 Managing Director and Chief Financial Officer certifications

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

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

5. GUD GOVERNANCE POLICIES

5.1 Integrity, ethical standards and compliance

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

The Board believes it is important to provide a clear set of values that emphasise a culture of strong corporate governance, solid business practices and good ethical conduct. To this end, the Company has a general Company Code of Conduct, which applies to all employees, including policies and standards on issues of business ethics and integrity, and reporting and investigating unethical practices. The Board has also adopted a number of other policies, including a general policy on corporate governance, a code of conduct specifically for Directors in relation to Directors' duties and conflicts of interest, and a share dealing policy, which together include procedures for dealing in Company shares, conflicts of interest, obtaining independent professional advice at the Company's expense, and full and timely access to such information necessary for Directors to discharge their responsibilities. These policies and codes may be found in the corporate governance section of the Company's website at www.gud.com.au.

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

5.2 Dealing in shares

Under the Company's Dealing in Shares policy, there are prohibited periods during which key management personnel may not deal in any GUD securities. Those prohibited periods are from 15 June and 15 December in each year until two days after the release to the ASX of the Company's financial statements for the year-end or half-year-end, as the case may be. There may be exceptional circumstances when dealing is permitted during a prohibited period. No such cases have occurred in the 2013 financial year.

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

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

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

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

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

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

5.3 Health and safety

GUD employed 1,474 people at 30 June 2013, compared with 1,590 at the end of the prior year. There were no major acquisitions or divestments during the year. Some restructuring was undertaken at Dexion, which had an impact on employee numbers.

The Company continued its emphasis on health and safety in the workplace through the Group Occupational Health and Safety Steering Committee. Representatives from each business meet monthly to review policies and procedures and general matters relating to health and safety.

This year's focus has been on extending GUD's culture, health and safety training, management and reporting requirements into our overseas operations, where approximately 400 of the workforce are employed.

Over the year GUD businesses improved their record, halving the number of lost time injuries to 10, and similarly reducing the number of medically treated injuries. Businesses continued to look for innovative ways to refresh the safety message. A system of internal peer group audits occurs across all major sites in the Group, with businesses encouraged to conduct similar audits at smaller interstate sites.

For a number of years businesses have been reporting on four lead safety performance measures; a focus on these and other important indicators assists in enabling the maintenance and extension of the strong health and safety culture amongst all Group employees.

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 Diversity

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

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

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

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

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

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

Details of measurable objectives that were set for the 2013 financial year, and the Company's progress in achieving them, are set out below:

Objective	Initiatives to achieve the objective	Status of the objective
1. As a general principle, the recruitment/selection process for Board candidates will: a. have as a primary focus getting the right person for the job; b. ensure that the candidate pool has no undue restrictions for representation; and c. ensure that, at both the initial candidate selection and the interview phase, a diverse pool of candidates is presented. The measurable objective in this process will be for the recruitment consultant/executive search firm engaged on a Board candidate search to provide the Chairman of the Nominations Committee: i. a confidential listing of all candidates available for possible consideration applying the Board-mandated skills/experience criteria for the particular Board position to be filled – together with a statement of percentage female representation in the listing; and ii. a confidential listing of all candidates recommended by the search firm for consideration by the Board for personal interview – together with a statement of percentage female representation. This listing is available to be shared with Board members.	Objectives incorporated into recruitment/selection processes	Ongoing consideration of skills matrix to identify needs; no new Board members appointed in 2013 financial year
2. To facilitate this process, the Board will maintain a skills matrix and profile of existing Board members in order to guide the development of the skills/experience criteria for any Board position to be filled.	Board skills matrix maintained	Ongoing
3. The Board will, having regard to the profile and timing of the appointment and retirement of Directors, endeavour to have a number of female members on the Board that is in proportion to the female members represented in the workforce of GUD Holdings Limited, but in any event not less than one female member.	Objectives incorporated into recruitment/selection processes	This remains a longer-term objective

The following table shows the representation of men and women at various levels within the GUD workforce as at 30 April 2013:

Level	Proportion of men %	Proportion of women %
Non-Executive Directors	100	0
Senior Management	85	15
Other levels	71	29
Total	72	28

5.5 Political contributions

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

5.6 Continuous disclosure and communication with shareholders

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

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

- The Annual Report is sent to all shareholders unless requested otherwise.
- Information relating to the Company, including the Annual Report, half-year announcement to the ASX and other major ASX announcements, is publicly available on the Company's website at www.gud.com.au, under Investor Relations.
- Individual shareholders are given an opportunity to raise questions at the Annual General Meeting and the Company encourages full participation of shareholders to ensure a high level of accountability and discussion of the Company's strategy and performance. The Company also invites the external auditor to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit, and the preparation and content of the auditor's report.
- There is regular dialogue with institutional investors and any presentation material is contemporaneously made available to all shareholders by announcement to the ASX.
- The Company and each of its 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.

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

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

	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 nominations committee.	2, 2.3	Comply
2.5	Companies should disclose the process for evaluating the performance of the Board, its committees and individual Directors.	3.1	Comply
2.6	Companies should provide the information indicated in the guide to reporting on Principle 2.	1.2, 1.3, 1.5, 2.3, 2.4, 3.1 and website	Comply
Principle 3	Promote ethical and responsible decision-making		
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to:	5.1 and website	Comply
	3.1.1 the practices necessary to maintain confidence in the Company's integrity;	5.1 and website	Comply
	3.1.2 the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and	5.1 and website	Comply
	3.1.3 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	5.1 and website	Comply
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity, and for the Board to assess annually both the objectives and progress in achieving them.	5.4	Comply
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.	5.4	Comply

Principle 3	**Promote ethical and responsible decision-making** continued		
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in Senior Executive positions and women on the Board.	5.4	Comply
3.5	Companies should provide the information indicated in the guide to reporting on Principle 3.	5.1, 5.4 and website	Comply
Principle 4	**Safeguard integrity in financial reporting**		
4.1	The Board should establish an audit committee.	2.1	Comply
4.2	The audit committee should be structured so that it: – 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 and website	Comply
Principle 5	**Make timely and balanced disclosure**		
5.1	Companies should establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a Senior Executive level for that compliance and disclose those policies or a summary of those policies.	5.6 and website	Comply
5.2	Companies should provide the information indicated in the guide to reporting on Principle 5.	5.6 and website	Comply
Principle 6	**Respect the rights of shareholders**		
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	5.6	Comply
6.2	Companies should provide the information indicated in the guide to reporting on Principle 6.	5.6	Comply
Principle 7	**Recognise and manage risk**		
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	4.1, 4.2	Comply
7.2	The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	4.1, 4.2, 4.3	Comply
7.3	The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	4.3	Comply
7.4	Companies should provide the information indicated in the guide to reporting on Principle 7.	4.1, 4.2, 4.3 and website	Comply
Principle 8	**Remunerate fairly and responsibly**		
8.1	The Board should establish a remuneration committee.	2.2	Comply
8.2	The remuneration committee should be structured so that it: – consists of a majority of independent Directors; – is chaired by an independent Chair; – has at least three members.	2.2	Comply
8.3	Companies should clearly distinguish the structure of Non-Executive Directors' remuneration from that of Executive Directors and Senior Executives.	2.2 and Remuneration Report	Comply
8.4	Companies should provide the information indicated in the guide to reporting on Principle 8.	2.2, 2.4, 5.2, Remuneration Report and website	Comply

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

Remuneration Report (Audited)

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

The report is outlined in the following sections:

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

1. WHO THIS REPORT COVERS

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

The following individuals had authority and responsibility for planning, directing and controlling the activities of the Group during the financial year ended 30 June 2013:

Non-Executive Directors

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

Executive Directors

Name	Role
I A Campbell	Managing Director, retires 31 July 2013

Senior Executives

Name	Role
M Fraser	Chief Financial Officer
D Jackson	Chief Executive Officer Sunbeam Corporation Ltd
D Birch	Chief Executive Officer E D Oates Pty Ltd
R Pattison	Chief Executive Officer GUD Automotive Pty Ltd
P Farmakis	Chief Executive Officer Dexion Limited
C Andersen	Chief Executive Officer Davey Water Products Pty Ltd
T Cooper	Managing Director Wesfil Australia Pty Ltd

2. REMUNERATION GOVERNANCE

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

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

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

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

During 2012, the Remuneration Committee undertook a thorough review of Senior Executive remuneration involving independent advisers to address shareholder feedback and to ensure that the remuneration structure is in line with business objectives, performance and contemporary market practice. The results of the review were outlined in the FY2012 Annual Report and included the introduction of equity settled long-term incentives from FY2015. This was approved at the November 2012 Annual General Meeting.

3. MANAGING DIRECTOR AND SENIOR EXECUTIVE REMUNERATION STRATEGY AND STRUCTURE

Remuneration strategy

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

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

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

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

Remuneration structure

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

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

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

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

Fixed remuneration

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

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

STI

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

The Board continues to view CVA as the most appropriate annual performance condition as it measures a true level of performance of the business without the distorting effect of financing decisions, accounting charges such as depreciation and amortisation, and whether the businesses own or rent operationally used real estate. CVA measures the return on undepreciated and unamortised net assets utilised. CVA is effective because it is the measurement that most closely compares trading profit performance (being reported profit adjusted for non-recurring items) with the replacement value of the net assets used by the businesses. In order to encourage balance sheet management and address potential changes in operating conditions, the CVA targets are defined and evaluated in percentage terms, rather than absolute CVA in value.

Acquisition costs are excluded from the CVA calculation due to their one-off nature, which can be difficult to budget with certainty and consequently including them could discourage growing the business through acquisitions. Similarly, newly acquired companies or business are typically excluded from the CVA target and evaluation process in the year following acquisition due to the impact of integration and restructuring activities, which typically occur after the acquisition.

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

	% of salary	
STI	At threshold and target performance	Stretch performance
Executive Directors		
I A Campbell, retires 31 July 2013	35.0	42.0
Senior Executives		
M Fraser	35.0	52.5
D Jackson	35.0	52.5
D Birch	35.0	52.5
R Pattison	35.0	52.5
P Farmakis	35.0	52.5
C Andersen	35.0	52.5
T Cooper	35.0	52.5

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

In the event that the Group target is not achieved, a proportionally lesser STI may be earned by Group Executives only in respect of those businesses that achieve or exceed their divisional CVA targets. This aspect of the STI plan was reviewed by the Board during the 2012/13 financial year. Given the nature of the Group and the role of Group Executives, the Board concluded this approach is a fair and appropriate way in which to reward Group Executives. Details of the CVA STI bonuses payable to the Managing Director and Senior Executives for the 2012/13 financial year are set out in section 4 of this Report.

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

LTI

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

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

LTI – current practice

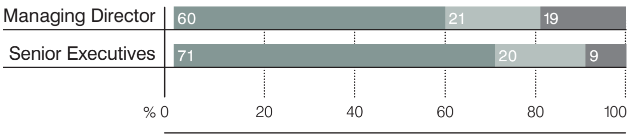
The current LTI is provided as an annual cash reward consisting of tranches covering rolling three-year measurement periods.

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

The LTI bonus for target performance varies from 33 per cent of salary for the Managing Director, to 15 per cent of salary for Senior Executives.

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

Within that framework, the relative proportion of the Managing Director's and Senior Executives' 2012/13 financial year target total cash remuneration packages that is performance-based is shown below:



2013 target total remuneration package

Fixed STI LTI

LTI – the 2014/15 financial year and beyond

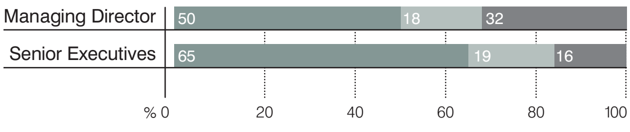
Following shareholder approval at the November 2012 Annual General Meeting, a new LTI plan has been implemented for the 2014/15 financial year and beyond so that LTI bonuses will be provided as performance rights, which can be converted to GUD shares if the performance hurdle is achieved over a three-year performance period. The plan is in line with market norms, supports the delivery of the Group's long-term strategy and ensures that the Managing Director and Senior Executives hold an exposure to equity. LTI targets will be set as a percentage of the Managing Director's and Senior Executives' salary on grant, stated as a number of shares determined by applying the share price at grant. The first award under the new plan will vest at the end of the 2014/15 financial year based on the TSR performance hurdle being achieved over the three-year period to that date. During the transition to the new plan, the current plan will remain in place, with cash awards vesting in respect of the 2012/13 and 2013/14 financial years, if the respective performance hurdles are met. Participation in the plan is subject to Remuneration Committee recommendation and Board approval. In the case of the Managing Director, shareholder approval is also required, and is sought at the Annual General Meeting prior to the granting of the performance rights.

The vesting schedule for performance rights equity-based awards is as follows:

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

In introducing the LTI plan for the 2014/15 financial year and beyond, the Remuneration Committee also sought to increase the proportion of overall potential remuneration rewarded in line with business performance.

As a result of the changes to the LTI plan, from the 2014/15 financial year the target remuneration mix for the Managing Director and Senior Executives will change as follows:



From 2015 target total remuneration package

Fixed STI LTI

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

4. REMUNERATION FOR THE EXECUTIVE DIRECTORS AND SENIOR EXECUTIVES

Executive remuneration for the year ending 30 June 2013.

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

		Short-term employment benefits						
	Year	Salary and fees $	STI cash bonus $	Leave entitlements $	LTI cash bonus[1] $	Income protection premium $	Car benefits $	Total short-term employment benefits $
Executive Directors								
I A Campbell	**2013**	**1,085,537**	**115,095**	**19,647**	**–**	**3,193**	**74,764**	**1,298,236**
(Retires Jul 13)	2012	1,060,536	269,786	67,134	658,714	3,193	74,764	2,134,127
R J Wodson	**2013**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
(Retired Dec 11)	2012	299,662	60,044	1,765	91,202	–	19,684	472,357
Senior Executives								
M Fraser	**2013**	**464,497**	**52,822**	**(5,182)**	**–**	**958**	**26,870**	**539,965**
(Appointed Jan 12)	2012	210,999	49,565	27,494	–	349	9,666	298,073
D Jackson	**2013**	**378,056**	**–**	**(4,078)**	**–**	**958**	**24,000**	**398,936**
	2012	341,858	128,031	279	73,533	697	24,000	568,398
D Birch	**2013**	**296,756**	**–**	**4,960**	**–**	**–**	**26,597**	**328,313**
	2012	260,404	105,116	(9,085)	56,012	–	24,200	436,647
R Pattison	**2013**	**326,411**	**169,591**	**8,973**	**–**	**3,192**	**23,637**	**531,804**
	2012	292,000	147,276	(4,243)	61,342	2,846	25,749	524,970
P Farmakis	**2013**	**490,000**	**51,450**	**9,423**	**–**	**958**	**–**	**551,831**
	2012	490,000	–	26,413	74,235	697	–	591,345
C Andersen	**2013**	**381,594**	**–**	**18,166**	**–**	**958**	**26,640**	**427,358**
	2012	340,167	–	(1,513)	71,122	697	28,318	438,791
T Cooper	**2013**	**300,000**	**125,676**	**10,999**	**–**	**2,993**	**–**	**439,668**
	2012	259,260	108,294	3,710	52,054	2,415	–	425,733
Total remuneration of Executive Directors and Senior Executives of the Group								
	2013	**3,722,851**	**514,634**	**62,908**	**–**	**13,210**	**202,508**	**4,516,111**
	2012	3,554,886	868,112	111,954	1,138,214	10,894	206,381	5,890,441
Total remuneration of Non-Executive Directors								
	2013	**642,635**	**–**	**–**	**–**	**–**	**–**	**642,635**
	2012	581,753	–	–	–	–	–	581,753
Total remuneration (compensation of key management personnel of the Group)								
	2013	**4,365,486**	**514,634**	**62,908**	**–**	**13,210**	**202,508**	**5,158,746**
	2012	4,136,639	868,112	111,954	1,138,214	10,894	206,381	6,472,194

Notes:
1 This is the LTI cash bonus for the 2012 and 2013 financial years as described on pages 28 and 29.
2 The fair value of performance rights granted under the 2015 Performance Rights Plan is subject to achievement of a TSR hurdle and was calculated by independent experts using a Monte-Carlo simulation valuation. The fair value is allocated to each reporting period evenly from the date of grant to the vesting date. The value disclosed in the Remuneration table above is the portion of the fair value of the performance rights allocated to the 2013 reporting period.
3 During FY2012, a termination payment in excess of one year's base salary was made to the outgoing Finance Director, in accordance with his contract, which was entered into prior to 24 November 2009.
4 Consistent with his expiring contract, Mr Campbell is entitled to an end of service payment of an amount that is equal to his average annual base salary for the three years up to the end of his contract. As Mr Campbell has advised the Company of his intention not to renew his expiring contract, the associated cost has been included in the financial year ended 30 June 2013.

Long-term benefits		Post-employment benefits				
Long service leave $	Equity remuneration – value of performance rights[2] $	Superannuation $	Retirement[3, 4] $	Total cost to Company $	Proportion of total that is performance related %	Value of equity remuneration as a proportion of total remuneration %
(28,209)	**86,563**	**19,963**	**1,213,430**	**2,589,983**	**7.8**	**3.3**
18,415	–	44,963	–	2,197,505	42.3	n/a
–	**–**	**–**	**–**	**–**	**n/a**	**n/a**
3,604	–	50,000	822,020	1,347,981	11.2	n/a
7,485	**16,468**	**25,000**	**–**	**588,918**	**11.8**	**2.8**
371	–	25,000	–	323,444	15.3	n/a
13,355	**13,864**	**34,025**	**–**	**460,180**	**3.0**	**3.0**
2,642	–	49,988	–	621,028	32.5	n/a
8,540	**10,825**	**25,000**	**–**	**372,678**	**2.9**	**2.9**
4,340	–	46,873	–	487,860	33.0	n/a
11,863	**11,969**	**29,377**	**–**	**585,013**	**31.0**	**2.0**
4,866	–	49,998	–	579,834	36.0	n/a
8,715	**17,969**	**25,000**	**–**	**603,515**	**11.5**	**3.0**
6,533	–	25,000	–	622,878	11.9	n/a
7,870	**13,679**	**25,000**	**–**	**473,907**	**2.9**	**2.9**
3,370	–	50,000	–	492,161	14.5	n/a
23,744	**11,001**	**27,000**	**–**	**501,413**	**27.3**	**2.2**
18,834	–	50,000	–	494,567	32.4	n/a
53,363	**182,338**	**210,365**	**1,213,430**	**6,175,607**		
62,975	–	391,822	822,020	7,167,258		
–	**–**	**57,837**	**–**	**700,472**		
–	–	52,015	451,375	1,085,143		
53,363	**182,338**	**268,202**	**1,213,430**	**6,876,079**		
62,975	–	443,837	1,273,395	8,252,401		

Non-statutory compensation received by key management personnel

The table on the previous page provides a breakdown of the Company's Senior Executive remuneration in accordance with statutory obligations and accounting standards. However, the Board is aware that the format in which the Company is required to present this information may make it difficult for shareholders to understand the total remuneration actually earned by Senior Executives from the various components of their remuneration in respect of the 2013 financial year.

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

Director or Senior Executives	Year	Total cost to Company $	Value of performance rights granted prior to vesting conditions $	Value of performance rights vested in favour of the Executive Director or Senior Executives $	Total remuneration received by the Executive Director or Senior Executives $
Executive Directors					
I A Campbell	**2013**	**2,589,983**	**(86,563)**	**–**	**2,503,420**
(Retires Jul 13)	2012	2,197,505	–	–	2,197,505
R J Wodson	**2013**	**–**	**–**	**–**	**–**
(Retired Dec 11)	2012	1,347,981	–	–	1,347,981
Senior Executives					
M Fraser	**2013**	**588,918**	**(16,468)**	**–**	**572,450**
(Appointed Jan 12)	2012	323,444	–	–	323,444
D Jackson	**2013**	**460,180**	**(13,864)**	**–**	**446,316**
	2012	621,028	–	–	621,028
D Birch	**2013**	**372,678**	**(10,825)**	**–**	**361,853**
	2012	487,860	–	–	487,860
R Pattison	**2013**	**585,013**	**(11,969)**	**–**	**573,044**
	2012	579,834	–	–	579,834
P Farmakis	**2013**	**603,515**	**(17,969)**	**–**	**585,546**
	2012	622,878	–	–	622,878
C Andersen	**2013**	**473,907**	**(13,679)**	**–**	**460,228**
	2012	492,161	–	–	492,161
T Cooper	**2013**	**501,413**	**(11,001)**	**–**	**490,412**
	2012	494,567	–	–	494,567
Total Remuneration of Executive Directors and Senior Executives of the Group					
	2013	**6,175,607**	**(182,338)**	**–**	**5,993,269**
	2012	7,167,258	–	–	7,167,258

GUD Holdings Limited shares held by the key management personnel

For the year ended 30 June 2013		Number of shares Balance at 1 Jul 12	Net other change	Balance at 30 Jun 13
Non-Executive Directors				
R M Herron	(Chairman)	23,210	–	**23,210**
P Hay		3,707	156	**3,863**
M Smith		5,560	–	**5,560**
G A Billings		–	–	**–**
D Robinson		–	–	**–**
Executive Directors				
I A Campbell (Retires Jul 13)	(Managing Director)	291,991	(251,991)	**40,000**
Other key management personnel				
M Fraser (Appointed Jan 12)	(Chief Financial Officer)	–	–	**–**
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 Limited)	–	–	**–**
		324,468	(251,835)	**72,633**

Performance rights

As a result of the equity based Performance Rights Plan introduced for FY2015, details of performance rights over ordinary shares in the Company that were granted and outlined in the Remuneration Report of each of the KMP during the reporting period are set out in the following table:

	Rights granted during 2013	Grant date	Vesting date	Fair value per performance right at grant date $	Fair value of rights granted during the year $
Executive Director					
I A Campbell (Retires Jul 13)	84,745	22 November 2012	30 June 2015	4.40	372,878
Senior Executives					
M Fraser (Appointed Jan 12)	16,122	22 November 2012	30 June 2015	4.40	70,937
D Jackson	13,573	22 November 2012	30 June 2015	4.40	59,721
D Birch	10,598	22 November 2012	30 June 2015	4.40	46,631
R Pattison	11,718	22 November 2012	30 June 2015	4.40	51,559
C Anderson	13,392	22 November 2012	30 June 2015	4.40	58,925
T Cooper	10,770	22 November 2012	30 June 2015	4.40	47,388
P Farmakis	17,592	22 November 2012	30 June 2015	4.40	77,405

The following factors were used in determining the fair value of performance rights on grant date:

Grant date	Expiry date	Fair value per performance right $	Exercise price $	Price of shares on grant date $	Estimated volatility %	Risk-free interest rate %	Dividend yield %
22 November 2012	n/a	4.40	0.00	8.09	23	2.68	8.03

Performance rights holdings of key management personnel

	Balance at 1 July 2012	Rights granted during the year	Rights vested during the year	Rights lapsed during the year	Balance at 30 June 2013
Executives					
I A Campbell	–	84,745	–	–	84,745
M Fraser	–	16,122	–	–	16,122
D Jackson	–	13,573	–	–	13,573
D Birch	–	10,598	–	–	10,598
R Pattison	–	11,718	–	–	11,718
C Anderson	–	13,392	–	–	13,392
T Cooper	–	10,770	–	–	10,770
P Farmakis	–	17,592	–	–	17,592
Total	–	178,510	–	–	178,510

5. LINK BETWEEN PERFORMANCE AND REMUNERATION OUTCOMES

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

STI

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

STI bonus payable for the Year Ended 30 June 2013	Maximum STI opportunity $	Bonus payment* $	Actual STI bonus payment as a % of maximum STI	Forfeited %
Executive Directors				
I A Campbell (Retires Jul 13)	500,000	115,095	23	77
Senior Executives				
M Fraser	235,767	52,822	22	78
D Jackson	198,479	–	0	100
D Birch	154,974	–	0	100
R Pattison	171,366	169,591	99	1
P Farmakis	257,250	51,450	20	80
C Andersen	195,837	–	0	100
T Cooper	157,500	125,676	80	20

* A minimum level of performance must be achieved before any STI bonus is payable. Therefore the minimum potential value of the STI that was awarded in respect of FY2013 was nil.

The payment relates to STI bonus earned in the year ended 30 June 2013 and payable in July 2013.

LTI – Cash Incentive Plan

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

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

TSR performance tranche	Current year (to 30 June 2013)	Prior year (to 30 June 2012)
1 year tranche	n/a	51st percentile
1.5 year tranche	35th percentile	n/a
2 year tranche	34th percentile	60th percentile
3 year tranche	37th percentile	72nd percentile

There were no KMPs in the 1 year tranche in the 2013 financial year, therefore this figure was not calculated. The Chief Financial Officer was in a 1.5 year tranche in 2013, and therefore this calculation was obtained for the 2013 year.

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

Three-year performance bonus (LTI) paid for the year ended 30 June 2013	Maximum LTI opportunity $	Amount paid* $	Payable %	Forfeited %
Executive Directors				
I A Campbell (Retires Jul 13)	703,000	–	0	100
Senior Executives				
M Fraser[1]	151,043	–	0	100
D Jackson	85,063	–	0	100
D Birch	66,418	–	0	100
R Pattison	73,442	–	0	100
P Farmakis	110,250	–	0	100
C Andersen	83,930	–	0	100
T Cooper	67,500	–	0	100

* The payment relates to three-year performance bonus earned in the year ended 30 June 2013 and paid in July 2013. The minimum value of the bonus was nil, no amounts were payable to any of the Executive Directors or Senior Executives.

1 Mr Fraser joined the company on 1 January 2012. As per the terms of his contract, he participated in the LTI for the 18 month period ending 30 June 2013.

Company performance and shareholder wealth

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

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

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

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

Financial year	EBIT[1] $m	EPS[1] Cents	Total DPS[2] Cents	Opening Share price $	Closing Share price $	Dividend yield %
30 June 2009	60.8	64.5	60.0	7.57	6.42	9.3
30 June 2010	71.6	76.5	62.0	6.42	8.65	7.2
30 June 2011	77.1	71.7	64.0	8.65	9.10	7.0
30 June 2012	70.3	62.9	65.0	9.10	8.60	7.6
30 June 2013	56.4	52.5	52.0	8.60	5.99	8.7

Notes:
1 EBIT and EPS are presented before significant one-off items.
2 The DPS presented does not include special dividends. The following special dividends have been paid in the five-year period: 35 cents paid on 16 August 2012, and 10 cents paid on 6 March 2013. A further 10 cent special dividend is due to be paid on 3 September 2013.

6. SERVICE AGREEMENTS

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

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

Name	Notice periods/termination payment
I A Campbell	– Fixed term until 1 July 2013. Mr Campbell has advised the Company of his intention not to renew his contract and will remain with the Company until 31 July 2013. – A notice period of six months by either party applies, except in the case of termination by the Company for cause. – Consistent with his expiring contract, Mr Campbell is entitled to an end of service payment of an amount that is equal to his average annual base salary for the three years up to termination.
Senior Executives	– Unlimited in term. – One or three months' notice by either party (or payment in lieu), except as noted below. – On termination, Senior Executives are entitled to receive their statutory entitlements of accrued annual and long service leave, together with superannuation benefits. – Mr Cooper is employed under a contract entered into in September 1996. That contract provides for 12 months' notice of termination by either party. Accordingly, if the employment were to be terminated without due notice, Mr Cooper would be entitled to a termination payment of 12 months' salary package. – Mr Farmakis is employed under a contract entered into in January 2007. Whilst the contract provides for three months' notice of termination by either party, if the Company terminates the contract Mr Farmakis is entitled to a termination payment of 12 months' salary package. – Apart from Mr Cooper and Mr Farmakis, no current Senior Executive contract includes termination benefits additional to the notice period and statutory entitlements described above.

7. NON-EXECUTIVE DIRECTORS' REMUNERATION

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

Remuneration policy

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

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

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

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

Fees

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

The fees paid to Non-Executive Directors in the financial year 2012/13 are set out in the table below:

	Board	Audit and Compliance Committee	Remuneration Committee	Nominations Committee
Chairman of	$239,475	$10,000	$10,000	Nil
Members of	$95,790	Nil	Nil	Nil

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

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

Equity participation

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

Nevertheless, most Directors hold shares, either directly or indirectly, in the Company. Details of shareholdings may be found in the Corporate Governance Statement.

Superannuation

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

Remuneration

Details of the nature and amount of each element of the remuneration of Non-Executive Directors for the year ended 30 June 2013 are set out in the table below.

		Short-term employment benefits	Post-employment benefits		
Non-Executive Directors	Year	Directors' fees $	Superannuation* $	Retirement $	Total $
R M Herron	**2013**	239,475	21,553	–	**261,028**
(appointed Chairman, 1 January 2012)	2012	167,722	15,095	–	182,817
C K Hall	**2013**	–	–	–	–
(former Chairman, retired 31 December 2011)	2012	120,031	10,460	451,375	581,866
P A F Hay	**2013**	105,790	9,521	–	**115,311**
	2012	103,000	9,270	–	112,270
M G Smith	**2013**	95,790	8,621	–	**104,411**
	2012	93,000	8,370	–	101,370
G A Billings	**2013**	105,790	9,521	–	**115,311**
(appointed 20 December 2011)	2012	51,500	4,635	–	56,135
D D Robinson	**2013**	95,790	8,621	–	**104,411**
(appointed 20 December 2011)	2012	46,500	4,185	–	50,685
Total remuneration of	**2013**	**642,635**	**57,837**	**–**	**700,472**
Non-Executive Directors	2012	581,753	52,015	451,375	1,085,143

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

Board of Directors

Left to right: Ross Herron, Peter Hay, Mark Smith

Left to right: Graeme Billings, David Robinson, Ian Campbell

DIRECTORS

R M Herron* FCA FAICD

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

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

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

Mr Herron is a former Director of Heemskirk Consolidated Limited (retired February 2011) and Customers Limited (retired July 2012).

P A F Hay* LLB FAICD

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

Mr Hay is currently Chairman of 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) and Myer Holdings Limited (since February 2010).

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

Mr Hay is a former Director of NBN Co Limited (retired August 2012).

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

Appointed Non-Executive Director on 26 May 2009.

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

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

He is a former Chairman of Food Holdings Limited (retired August 2011).

G A Billings* BCom FCA MAICD

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

Mr Billings has been a Chartered Accountant since 1977 and retired from PricewaterhouseCoopers in 2011 after 34 years. He is a former head of the Melbourne Assurance practice as well as heading the firm's Australian and Global Industrial Products business.

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

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

D D Robinson*

Appointed Non-Executive Director on 20 December 2011.

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

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

I A Campbell FAICD

Appointed Managing Director on 5 October 1998.

Mr Campbell is a Non-Executive Director of Mirrabooka Investments Limited (since November 2007). He is also Vice-President of Ai Group (Vic.)

* All Non-Executive Directors are independent.

CORPORATE EXECUTIVES

M A Fraser Chief Financial Officer BBus, EMBA, GAICD, FCA

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

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

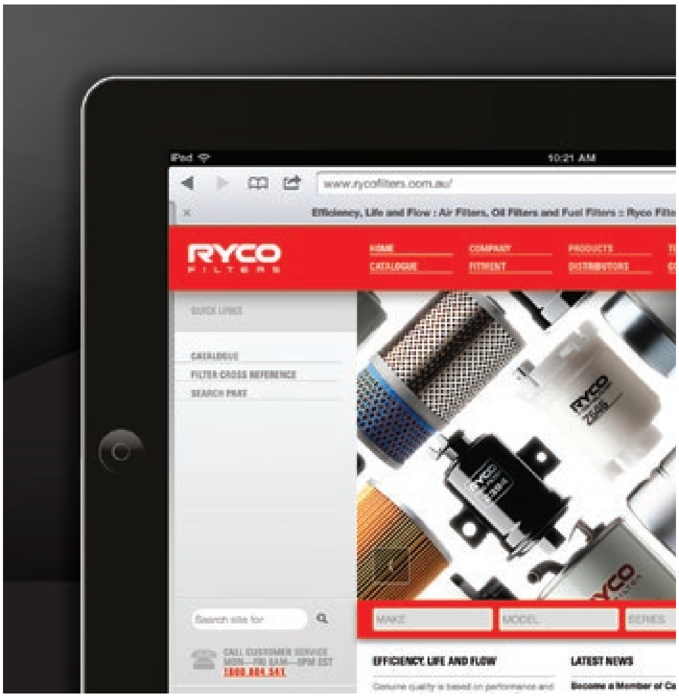
Mr Tyler is an associate of Chartered Secretaries Australia, a former partner with Freehills and general counsel with Southcorp Limited. He has held a legal practising certificate in Victoria for 27 years.

D A Draycott General Manager Strategy & Planning
Dip. Bus. Studies, Grad. Dip. Accounting, AMAMI

Mr Draycott has been with GUD for 16 years in the corporate planning and strategy role.

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

Financial Statements



Consolidated Income Statement

For the year ended 30 June 2013

	Note	2013 $'000	2012 $'000
Revenue	2a	**596,452**	610,830
Cost of goods sold, including restructuring costs	2c	**(376,834)**	(365,559)
Gross profit		**219,618**	245,271
Other income	2b	**386**	448
Marketing and selling		**(68,939)**	(70,866)
Product development and sourcing	2c	**(8,628)**	(11,968)
Logistics expenses and outward freight		**(53,787)**	(51,814)
Administration		**(36,031)**	(39,998)
Other expenses, including impairment of brand names	2c	**(3,857)**	(1,861)
Results from operating activities		**48,762**	69,212
Interest income		**197**	413
Net gain on sale of available for sale asset	8	**–**	63,666
Finance costs	2c	**(5,431)**	(9,542)
Net finance (costs)/income		**(5,234)**	54,537
Profit before income tax		**43,528**	123,749
Income tax expense	3	**(12,064)**	(30,987)
Profit for the year		**31,464**	92,762
Earnings per share:			
Basic earnings per share (cents per share)	28	**44.2**	132.3
Diluted earnings per share (cents per share)	28	**44.0**	132.3

Notes to the consolidated financial statements are annexed.

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2013

	2013 $'000	2012 $'000
Profit for the year	31,464	92,762
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss		
Exchange differences on translating results of foreign operations	1,520	(327)
Fair value adjustments recognised in cash flow hedge reserve	6,144	3,234
Net change in fair value of cash flow hedges transferred to inventory	(2,075)	(770)
Fair value adjustment of available for sale asset	–	(897)
Net change in fair value of available for sale asset transferred to income statement	–	(63,666)
Income tax on items that may be reclassified subsequently to profit or loss	(1,218)	18,631
Other comprehensive income for the year, net of income tax	4,371	(43,795)
Total comprehensive income for the year	35,835	48,967

There are no items that will not be subsequently reclassified to profit or loss when specific conditions are met.
Notes to the consolidated financial statements are annexed.

Consolidated Balance Sheet

As at 30 June 2013

	Note	2013 $'000	2012 $'000
Current assets			
Cash and cash equivalents	6	**24,401**	19,247
Trade and other receivables	7	**75,418**	86,657
Other financial assets	8a	**8,048**	2,802
Current tax receivable		**1,111**	–
Other assets	9	**6,024**	7,707
Inventories	10	**98,257**	102,170
Total current assets		**213,259**	218,583
Non-current assets			
Other financial assets	8b	**3,547**	2,795
Property, plant and equipment	11	**33,209**	33,132
Deferred tax assets	3c	**1,287**	1,541
Goodwill	12	**106,580**	106,759
Other intangible assets	13	**63,816**	66,012
Total non-current assets		**208,439**	210,239
Total assets		**421,698**	428,822
Current liabilities			
Trade and other payables	14a	**67,396**	85,018
Borrowings	15a	**8,318**	6,899
Current tax payables		**1,631**	12,320
Provisions	16a	**17,547**	15,664
Total current liabilities		**94,892**	119,901
Non-current liabilities			
Borrowings	15b	**80,975**	29,718
Other financial liabilities	14b	–	139
Deferred tax liabilities	3c	**2,257**	304
Provisions	16b	**4,471**	5,101
Total non-current liabilities		**87,703**	35,262
Total liabilities		**182,595**	155,163
Net assets		**239,103**	273,659
Equity			
Share Capital	17	**186,798**	182,324
Reserves	18	**4,692**	(59)
Retained earnings		**47,613**	91,394
Total equity		**239,103**	273,659

Notes to the consolidated financial statements are annexed.

Consolidated Statement of Changes in Equity

	Note	2013 $'000	2012 $'000
Retained earnings			
Retained earnings at the beginning of the year		**91,394**	43,845
Profit for the year		**31,464**	92,762
Dividends paid	5	**(75,245)**	(45,213)
Retained earnings at the end of the year		**47,613**	91,394
Reserves			
Foreign Currency Translation Reserve:			
Balance at the beginning of the year		**(1,785)**	(1,458)
Exchange differences on translating foreign operations		**1,520**	(327)
Balance at the end of the year		**(265)**	(1,785)
Cash Flow Hedge Reserve:			
Balance at the beginning of the year		**1,726**	–
Fair value adjustments transferred to equity – net of tax		**4,308**	2,264
Amounts transferred to inventory – net of tax		**(1,457)**	(538)
Balance at the end of the year		**4,577**	1,726
Available for Sale Asset Revaluation Reserve:			
Balance at the beginning of the year		**–**	45,194
Fair value adjustment – net of tax		**–**	(628)
Amount reclassified to income statement – net of tax		**–**	(44,566)
Balance at the end of the year		**–**	–
Equity Compensation Reserve:			
Balance at the beginning of the year		**–**	–
Equity settled share-based payment transactions		**380**	–
Balance at the end of the year		**380**	–
Reserves at the end of the year		**4,692**	(59)
Share capital			
Share capital at the beginning of the year – 70,803,455 (1 July 2011 – 69,089,611) fully paid shares		**182,324**	170,063
Dividend reinvestment plan	17	**4,474**	12,261
Share capital at the end of the year – 71,341,319 (30 June 2012 – 70,803,455) fully paid shares		**186,798**	182,324
Total equity		**239,103**	273,659
Total equity summary			
Balance at the beginning of the year		**273,659**	257,644
Profit for the year		**31,464**	92,762
Other Comprehensive Income		**4,371**	(43,795)
Total Comprehensive Income		**35,835**	48,967
Transactions with owners recognised in equity			
Dividend reinvestment plan		**4,474**	12,261
Dividends paid		**(75,245)**	(45,213)
Equity settled share-based payment transactions		**380**	–
Total transactions with owners		**(70,391)**	(32,952)
Balance at the end of the year		**239,103**	273,659

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 2013

	Note	2013 $'000	2012 $'000
Cash flows from operating activities			
Receipts from customers		**668,886**	666,808
Payments to suppliers and employees		**(602,494)**	(593,616)
Income taxes paid		**(14,918)**	(16,300)
Net cash provided by operating activities	23	**51,474**	56,892
Cash flows from investing activities			
Payments for property, plant and equipment		**(9,390)**	(8,523)
Proceeds from sale of property, plant and equipment		**37**	119
Proceeds from sale of available for sale investment		**–**	81,845
Payments for intangible assets and product development costs		**(5,061)**	(6,927)
Dividends received from listed security investment		**–**	1,756
Income taxes paid in respect of available for sale asset sold in the prior financial year		**(7,957)**	–
Net cash (used in)/provided by investing activities		**(22,371)**	68,270
Cash flows from financing activities			
Net proceeds/(repayments) of borrowings		**52,510**	(81,420)
Interest received		**197**	413
Interest paid		**(6,772)**	(8,365)
Dividends paid		**(70,771)**	(32,952)
Net cash used in financing activities		**(24,836)**	(122,324)
Net increase in cash held		**4,267**	2,838
Cash at the beginning of the year		**19,247**	16,081
Effects of exchange rate changes on the balance of cash held in foreign currencies		**887**	328
Cash at the end of the year	6	**24,401**	19,247
Reconciliation of net cash at the end of the year			
Cash at bank and on hand		**24,401**	19,247

Notes to the consolidated financial statements are annexed.

Notes to the consolidated financial statements

1. SUMMARY OF ACCOUNTING POLICIES

Reporting Entity

GUD Holdings Limited (the 'Company') is a for profit company domiciled in Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2013 comprise the Company and its subsidiaries (together referred to as the 'Consolidated Entity').

Basis of preparation

Statement of compliance

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

The consolidated financial statements were authorised for issue by the Directors on 24 July 2013.

Basis of measurement

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

Functional and presentation currency

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

Use of estimates and judgements

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

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

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

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

Significant accounting policies

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

a) Principles of consolidation

The consolidated financial statements are the financial statements of all the entities that comprise the Consolidated Entity, being the Company and its subsidiaries as defined in Accounting Standard AASB 127 Consolidated and Separate Financial Statements. A list of subsidiaries appears in note 19 to the consolidated financial statements.

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

b) Business combinations

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

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

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

c) Foreign currency

Foreign currency transactions

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

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

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

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

Foreign operations

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

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

d) Revenue recognition

Sale of goods

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

Contract revenue

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

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

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

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

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

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

f) Financial instruments

Non-derivative financial instruments

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

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts, where they occur, are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Loans and receivables

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

Share capital

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

Debt and equity instruments

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

Payables

Trade payables and other accounts payable are measured at cost.

Borrowings

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

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

Derivative financial instruments

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

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

Cash flow hedges

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

Amounts deferred and recognised in equity are subsequently transferred to the income statement in the periods when the impact of the hedged item is recognised in the income statement. When the forecast transaction that is hedged (purchases of inventory) results in the recognition of a non-financial asset or a non-financial liability, gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset (inventory).

Hedge accounting is discontinued on a prospective basis when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred and recognised in equity at that time is retained in equity and is transferred to the income statement when the result of the forecast transaction is ultimately recognised in the income statement. However, when a forecast transaction is no longer expected to occur, or hedge ineffectiveness is identified, the cumulative gain or loss deferred and recognised in equity is recognised immediately in the income statement.

Derivatives that do not qualify for hedge accounting

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

g) Income tax

Current and deferred tax expense

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill.

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

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

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

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

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company/subsidiary intends to settle its current tax assets and liabilities on a net basis.

Tax consolidation

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

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

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

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

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

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

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

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

i) Goods and services tax

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

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

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

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

j) Inventories

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

k) Property, plant and equipment

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

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

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

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

l) Leased assets

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

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

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

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

m) Intangible assets

Product development costs

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

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

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

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

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 that are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Consolidated Entity in respect of services provided by employees up to reporting date.

Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when incurred.

Share-based payment transactions

The Performance Rights Plan grants shares in the Company to certain employees. The fair value of performance rights granted under the Performance Rights Plan is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and is spread over the vesting period, which is the period from the grant date to the end of the plan period. The fair value of the performance rights granted is measured using a Monte Carlo simulation model, taking into account the terms and conditions upon which the performance rights were granted. Refer to note 21 for further details.

o) Provisions

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

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

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

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

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 2013, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group.

The following new standards, which are effective for annual periods beginning after 1 July 2013, may have a significant effect on the consolidated financial statements of the Group:

- IFRS 9 Financial Instruments, which becomes mandatory for the Group's 2016 consolidated financial statements and could change the classification and measurement of financial assets, liabilities and hedging. The Group does not plan to adopt this standard early and the extent of the impact has not been determined;
- IFRS 13 Fair Value Measurement, which becomes mandatory for the Group's 2014 consolidated financial statements and replaces fair value measurement guidance in individual IFRSs with a single source of fair value measurement guidance. The Group does not plan to adopt this standard early and the extent of the impact has not yet been determined;
- AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements, which becomes mandatory for the Group's 2014 consolidated financial statements and will remove requirements to make individual key management personnel disclosures in the notes to the financial statements. Early adoption of these amendments is not permitted; and
- IAS 19, Employee Benefits, which becomes mandatory for the Group's 2014 consolidated financial statements and changes the definition of short-term and long-term employee benefits. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

2. PROFIT FROM OPERATIONS

	2013 $'000	2012 $'000
a. Revenue		
Sale of goods	596,452	609,074
Dividends received from investment in listed security	–	1,756
Total revenue	596,452	610,830
b. Other income		
Other	386	448
	386	448
c. Expenses by nature		
Profit before income tax has been arrived at after charging the following expenses:		
Write-down/(write-back) to value of inventory obsolescence provision	424	(78)
Loss/(gain) on sale of plant and equipment	199	(2)
Operating lease rental expense: Minimum lease payments	16,053	18,415
Net foreign exchange loss/(gain)	311	(1,144)
Employee benefits:		
Wages and salaries (including on-costs)	97,108	100,205
Contributions to defined contribution plans	6,842	7,651
Movements in provisions for employee benefits	1,736	(442)
Equity settled share-based payment expense	380	–
Depreciation and amortisation:		
Depreciation of plant and equipment	7,626	7,998
Depreciation of leased plant and equipment	61	111
Amortisation of product development costs	4,578	3,854
Amortisation of other intangibles	1,860	1,741
Total depreciation and amortisation	14,125	13,704
Product development and sourcing costs:		
Expensed directly to income statement	8,628	11,968
Amortisation of product development costs	4,578	3,854
Total product development, sourcing and amortisation	13,206	15,822
Restructuring and impairment costs:		
Restructuring costs:		
Write-down of fixed assets due to restructuring	2,209	–
Write-off of inventory due to restructuring	224	–
Other restructuring costs	3,409	1,089
Total restructuring costs	5,842	1,089
Impairment of brand names	1,811	–
Total restructuring and impairment costs	7,653	1,089
Finance costs:		
Interest expense	6,609	9,122
Revaluation of interest rate swaps	(1,178)	420
Finance costs	5,431	9,542

The ineffective portion of cash flow hedges that is recognised in the income statement is nil (2012: nil).

3. TAXATION

	2013 $'000	2012 $'000
a. Income tax expense recognised in the income statement		
Prima facie income tax expense calculated at 30% (2012: 30%) on profit	13,058	37,125
Increase/(decrease) in income tax expense due to:		
Non-deductible expenditure	938	334
(Over)/under provision of income tax in prior year	(444)	239
Utilisation of capital losses not previously recognised	–	(4,786)
Research and development incentives	(948)	(1,067)
Non-assessable income	(540)	(858)
Income tax expense	12,064	30,987
Tax expense comprises:		
Current tax expense	11,519	27,659
Adjustments recognised in the current year in relation to the current tax of prior years	(444)	239
Deferred tax expense relating to the origination and reversal of temporary differences	989	3,089
Total tax expense	12,064	30,987

	2013 – $'000			2012 – $'000		
	Before tax	Tax (expense)/ benefit	Net of tax	Before tax	Tax (expense)/ benefit	Net of tax
b. Income tax expense recognised in other comprehensive income						
Exchange differences on translating results of foreign operations	1,520	–	1,520	(327)	–	(327)
Fair value adjustments transferred to cash flow hedge reserve	6,144	(1,836)	4,308	3,234	(970)	2,264
Net change in fair value of cash flow hedges transferred to inventory	(2,075)	618	(1,457)	(770)	232	(538)
Fair value adjustment of available for sale asset	–	–	–	(897)	269	(628)
Net change in fair value of available for sale asset transferred to income statement	–	–	–	(63,666)	19,100	(44,566)
	5,589	(1,218)	4,371	(62,426)	18,631	(43,795)

Tax consolidation

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

Nature of tax funding arrangements and tax-sharing agreements

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

3. TAXATION CONTINUED

Taxable and deductible temporary differences arise from the following:

2013	Opening balance $'000	Recognised in Income Statement $'000	Recognised in equity $'000	Closing balance $'000
Deferred tax assets:				
Employee benefit provisions	**4,860**	**167**	**–**	**5,027**
Warranty provisions	**665**	**(23)**	**–**	**642**
Inventory	**1,017**	**(76)**	**–**	**941**
Accrued expenses	**573**	**(386)**	**–**	**187**
FX option premium	**511**	**(511)**	**–**	**–**
Other	**2,279**	**(71)**	**–**	**2,208**
	9,905	**(900)**	**–**	**9,005**
Set-off of tax	**(8,364)**	**646**	**–**	**(7,718)**
	1,541	**(254)**	**–**	**1,287**
Deferred tax liabilities:				
Property, plant and equipment	**1,393**	**131**	**–**	**1,524**
Capitalised product development	**3,586**	**(33)**	**–**	**3,553**
Other intangible assets	**2,951**	**(9)**	**–**	**2,942**
Available for sale asset revaluation reserve	**–**	**–**	**–**	**–**
Cash flow hedge reserve	**738**	**–**	**1,218**	**1,956**
	8,668	**89**	**1,218**	**9,975**
Set-off of tax	**(8,364)**	**646**	**–**	**(7,718)**
	304	**735**	**1,218**	**2,257**
Net deferred tax liabilities				**(970)**

2012	Opening balance $'000	Recognised in Income Statement $'000	Recognised in equity $'000	Closing balance $'000
Deferred tax assets:				
Employee benefit provisions	5,032	(172)	–	4,860
Warranty provisions	916	(251)	–	665
Inventory	983	34	–	1,017
Accrued expenses	528	45	–	573
FX option premium	544	(33)	–	511
Other	4,223	(1,944)	–	2,279
	12,226	(2,321)	–	9,905
Set-off of tax	(10,140)	1,776	–	(8,364)
	2,086	(545)	–	1,541
Deferred tax liabilities:				
Property, plant and equipment	1,316	77	–	1,393
Capitalised product development	2,864	722	–	3,586
Other intangible assets	2,982	(31)	–	2,951
Available for sale asset revaluation reserve	19,369	–	(19,369)	–
Cash flow hedge reserve	–	–	738	738
	26,531	768	(18,631)	8,668
Set-off of tax	(10,140)	1,776	–	(8,364)
	16,391	2,544	(18,631)	304
Net deferred tax assets				1,237

3. TAXATION CONTINUED

	2013 $'000	2012 $'000
c. Deferred tax balances		
Deferred tax assets	**1,287**	1,541
Deferred tax liabilities	**(2,257)**	(304)
Net deferred tax (liabilities)/assets	**(970)**	1,237

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

d. Current tax payable
The current tax payable balance in 2012 of $12,320,000 included an amount of $14,290,000 in respect of capital gains arising from the sale of an investment. This was offset by payments on account in excess of the normal tax liability.

4. SEGMENT INFORMATION

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

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

	For the year ended 30 June 2013					
Business segments	Consumer Products $'000	Automotive Products $'000	Water Products $'000	Industrial Products $'000	Unallocated $'000	Total $'000
Total segment revenue (external)	**194,241**	**87,312**	**100,940**	**213,959**	**–**	**596,452**
Underlying EBITDA pre-restructuring and impairment costs	**27,258**	**28,499**	**10,103**	**11,603**	**(6,923)**	**70,540**
Less: Depreciation	(3,022)	(580)	(1,570)	(2,513)	(2)	(7,687)
Less: Amortisation of intangibles	(4,309)	–	(203)	(1,926)	–	(6,438)
Underlying EBIT pre-restructuring and impairment costs	**19,927**	**27,919**	**8,330**	**7,164**	**(6,925)**	**56,415**
Restructuring and impairment costs	–	–	–	(7,653)	–	(7,653)
Segment result (EBIT)	**19,927**	**27,919**	**8,330**	**(489)**	**(6,925)**	**48,762**
Net finance costs						(5,234)
Profit before income tax						**43,528**
Income tax expense						(12,064)
Profit for the period						**31,464**
Segment assets	117,121	39,129	91,354	171,566	2,528	**421,698**
Segment liabilities	20,809	11,357	15,475	48,101	86,853	**182,595**
Segment capital expenditure	7,477	1,173	1,902	3,898	1	**14,451**

4. SEGMENT INFORMATION CONTINUED

	For the year ended 30 June 2012					
Business segments	Consumer Products $'000	Automotive Products $'000	Water Products $'000	Industrial Products $'000	Unallocated $'000	Total $'000
Total segment revenue (external)	**219,164**	**85,932**	**99,168**	**204,811**	**1,755**	**610,830**
Underlying EBITA pre-integration and restructuring costs	**39,362**	**28,127**	**9,775**	**12,284**	**(5,543)**	**84,005**
Less: Depreciation	(2,737)	(529)	(1,904)	(2,933)	(6)	(8,109)
Less: Amortisation of intangibles	(3,672)	–	(343)	(1,580)	–	(5,595)
Underlying EBIT pre-integration and restructuring costs	**32,953**	**27,598**	**7,528**	**7,771**	**(5,549)**	**70,301**
Integration and restructuring costs	(278)	–	–	(628)	(183)	**(1,089)**
Segment result (EBIT)	**32,675**	**27,598**	**7,528**	**7,143**	**(5,732)**	**69,212**
Net finance income						54,537
Profit before income tax						**123,749**
Income tax expense						(30,987)
Profit for the period						**92,762**
Segment assets	121,912	34,476	86,580	179,664	6,190	**428,822**
Segment liabilities	24,690	7,824	12,117	54,462	56,070	**155,163**
Segment capital expenditure	6,763	1,901	2,357	4,424	5	**15,450**

Segment result excludes finance costs, interest revenue and income tax expense.
The Consolidated Entity operates primarily in one geographical segment: Australasia.

Business segments

The following summary describes the operations in each of the Consolidated Entity's reportable 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 aftermarket.

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
2013					
Final dividend in respect of the 2012 financial year	35	24,781	3 September 2012	30%	100%
Special cash dividend	35	24,781	16 August 2012	30%	100%
Interim dividend in respect of the 2013 financial year	26	18,549	6 March 2013	30%	100%
Special cash dividend	10	7,134	6 March 2013	30%	100%
Total dividends		75,245			
2012					
Final dividend in respect of the 2011 financial year	35	24,181	14 September 2011	30%	100%
Interim dividend in respect of the 2012 financial year	30	21,032	6 March 2012	30%	100%
Total dividends		45,213			

Unrecognised amounts Fully paid ordinary shares	Cents per share	Total amount $'000	Date of payment	Tax rate	Percentage franked
2013					
Final dividend in respect of the 2013 financial year	26	18,549	3 September 2013	30%	100%
Special cash dividend	10	7,134	3 September 2013	30%	100%

	GUD Holdings Limited	
Dividend franking account	**2013 $'000**	2012 $'000
30% (2012: 30%) franking credits available to shareholders of GUD Holdings Limited for subsequent financial years	**16,492**	36,593

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

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

6. CASH AND CASH EQUIVALENTS

	2013 $'000	2012 $'000
Current		
Cash and cash equivalents	**24,401**	19,247

7. TRADE AND OTHER RECEIVABLES

	2013 $'000	2012 $'000
Current		
Trade receivables[1]	69,017	86,171
Less: Allowance for doubtful debts[2]	(857)	(809)
Net trade receivables	68,160	85,362
Accrued revenue	7,258	1,295
Other receivables	7,258	1,295
	75,418	86,657

1 The Group's policy is that cash received at the bank on the first day after the month end is included in the cash at bank figure and set-off against trade receivables in order to take into account cash in transit. This amounted to $7.9 million at 30 June 2013 (2012: $7.1 million).
2 An allowance has been made for estimated irrecoverable amounts from the sale of goods and services, determined by a specific review of debtors. The movement in the allowance for doubtful debts was recognised in the income statement in the current financial year.

	2013 $'000	2012 $'000
Movement in allowance for doubtful debts		
Balance at the beginning of the year	(809)	(551)
Doubtful debts recognised	(275)	(393)
Amounts written off as uncollectible	227	135
Balance at the end of the year	(857)	(809)

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

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

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

2012 Ageing of trade receivables	Gross $'000	Impairment $'000	Net $'000
Not past due	60,863	(104)	60,759
Past due 1 – 60 days	20,934	(246)	20,688
Past due 61 – 120 days	2,634	(65)	2,569
Past due 121 – 365 days	1,062	(282)	780
Past due more than one year	678	(112)	566
Total trade receivables	86,171	(809)	85,362

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

8. OTHER FINANCIAL ASSETS

	Note	2013 $'000	2012 $'000
a. Current			
Derivatives – Foreign currency forward contracts, options and collars		8,048	2,802
Other financial assets		8,048	2,802
b. Non-current			
Loans receivable – Related parties	25	–	295
Loans receivable – Third parties		3,500	2,500
Derivatives – Foreign currency forward contracts		3	–
Derivatives – Interest rate swaps		44	–
		3,547	2,795

On 28 February 2012, GUD Holdings Limited sold its investment in Breville Group Limited at a price of $3.35 per share. A pre-tax gain of $63,666,000 was recognised on the sale in the 2012 year, which is disclosed separately on the face of the income statement.

9. OTHER ASSETS

	2013 $'000	2012 $'000
Current		
Prepayments	3,823	3,525
Other	2,201	4,182
	6,024	7,707

10. INVENTORIES

	2013 $'000	2012 $'000
Current		
Raw materials and stores	16,790	17,903
Work in progress	3,912	3,513
Finished goods	77,555	80,754
Total inventory	98,257	102,170

Inventories disclosed above are net of the provision for obsolescence.

11. PROPERTY, PLANT AND EQUIPMENT

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

	Equipment under finance lease at cost $'000	Plant and equipment at cost $'000	Total $'000
Gross carrying amount			
Balance at 1 July 2011	**1,775**	**67,235**	**69,010**
Additions	100	8,423	**8,523**
Disposals	–	(4,698)	**(4,698)**
Reclassification	(1,268)	1,268	**–**
Foreign currency movements	–	364	**364**
Balance at 30 June 2012	**607**	**72,592**	**73,199**
Additions	–	9,390	**9,390**
Disposals	–	(5,436)	**(5,436)**
Foreign currency movements	–	1,354	**1,354**
Balance at 30 June 2013	**607**	**77,900**	**78,507**
Accumulated depreciation and amortisation			
Balance at 1 July 2011	**(895)**	**(35,993)**	**(36,888)**
Depreciation expense	(111)	(7,998)	**(8,109)**
Disposals	–	4,581	**4,581**
Reclassification	825	(825)	**–**
Foreign currency movements	–	349	**349**
Balance at 30 June 2012	**(181)**	**(39,886)**	**(40,067)**
Depreciation expense	(61)	(7,626)	**(7,687)**
Impairment due to restructuring	–	(2,209)	**(2,209)**
Disposals	–	5,200	**5,200**
Foreign currency movements	–	(535)	**(535)**
Balance at 30 June 2013	**(242)**	**(45,056)**	**(45,298)**
Carrying amount			
As at 30 June 2012	426	32,706	33,132
As at 30 June 2013	**365**	**32,844**	**33,209**

12. GOODWILL

	2013 $'000	2012 $'000
Gross carrying amount		
Balance at the beginning of the year	**106,759**	106,794
Reclassification from goodwill to distribution rights	**(463)**	–
Net foreign currency difference arising on translation of financial statements of foreign operations	**284**	(35)
Balance at the end of the year	**106,580**	106,759

All intangible assets with indefinite lives (goodwill and brand names), have been allocated for impairment testing purposes to cash-generating units (or groups of units). Refer below for the allocation of goodwill and brand names. The Directors have assessed that no impairment charge is required in relation to goodwill for the year ended 30 June 2013. Additional information relating to brand names is included in note 13.

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

	2012 – $'000		
	Goodwill	Brand names	Total assets with indefinite lives
Allocation of goodwill and brand names			
Automotive Products	1,497	1,000	2,497
Lock Focus	5,300	–	5,300
Sunbeam	463	24,549	25,012
Oates	5,166	8,900	14,066
Water Products group	34,824	3,215	38,039
Dexion	59,509	11,675	71,184
	106,759	49,339	156,098

Each cash-generating unit's recoverable amount has been tested on the basis of its value in use. The value in use calculation uses assumptions including cash flow projections based on Board-approved budgets for the 2014 year and forecasts for a further four years which are extrapolated in perpetuity using a long-term average growth rate consistent with the sectors in which the cash-generating units operate. The values assigned reflect past experience or, if appropriate, are consistent with external sources of information.

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 14.29% (2012: 14.29%). The pre-tax discount rate applied to Oates cash flows was 14.29% (2012: 14.29%).

The Water Products group is both a cash-generating unit and a business segment. The pre-tax discount rate applied to cash flows was 14.29% (2012: 14.29%).

The cash-generating units within the Industrial Products business segment include Dexion and Lock Focus. The pre-tax discount rate applied to the Lock Focus cash flows was 14.29% (2012: 14.29%). The pre-tax discount rate applied to the Dexion cash flows was 14.29% (2012: 14.29%).

The five-year cash flow projections are based on the 2014 year budget (2012: based on 2013 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 2011	**24,241**	**49,240**	**4,913**	**4,901**	**1,452**	**84,747**
Additions from internal developments	5,809	–	–	–	–	**5,809**
Additions	–	1	87	1,030	–	**1,118**
Disposals	(4,856)	–	(4,325)	–	–	**(9,181)**
Foreign currency movements	–	98	(1)	(1)	–	**96**
Balance at 30 June 2012	**25,194**	**49,339**	**674**	**5,930**	**1,452**	**82,589**
Additions from internal developments	4,542	–	–	–	–	**4,542**
Additions	–	–	112	407	–	**519**
Reclassification from goodwill	–	–	463	–	–	**463**
Disposals	(3,498)	–	(5)	–	–	**(3,503)**
Foreign currency movements	–	530	2	141	–	**673**
Balance at 30 June 2013	**26,238**	**49,869**	**1,246**	**6,478**	**1,452**	**85,283**
Accumulated amortisation						
Balance at 1 July 2011	**(14,816)**	**–**	**(4,708)**	**(367)**	**(238)**	**(20,129)**
Amortisation expense	(3,854)	–	(232)	(1,220)	(289)	**(5,595)**
Disposals	4,753	–	4,325	–	–	**9,078**
Foreign currency movements	–	–	7	67	(5)	**69**
Balance at 30 June 2012	**(13,917)**	**–**	**(608)**	**(1,520)**	**(532)**	**(16,577)**
Amortisation expense	(4,578)	–	(266)	(1,306)	(288)	**(6,438)**
Disposals	3,381	–	1	–	–	**3,382**
Impairment[1]	–	(1,811)	–	–	–	**(1,811)**
Foreign currency movements	–	(6)	2	(19)	–	**(23)**
Balance at 30 June 2013	**(15,114)**	**(1,817)**	**(871)**	**(2,845)**	**(820)**	**(21,467)**
Carrying amount						
As at 30 June 2012	11,277	49,339	66	4,410	920	66,012
As at 30 June 2013	**11,124**	**48,052**	**375**	**3,633**	**632**	**63,816**

1 An impairment charge of $1,811,000 was taken to write-down the brand names of Elite Built and Precision reflecting the difficult trading conditions prevailing in Dexion's Commercial sector. This impairment is in the 'Restructuring and impairment costs' line in the Income Statement.

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

	2013 $'000	2012 $'000
a. Current		
Accrued expenses	**15,523**	22,267
Trade payables[1]	**51,823**	61,166
Trade payables and accrued expenses	**67,346**	83,433
Derivatives – Foreign currency forward contracts and collars	**4**	510
Derivatives – Interest rate swaps at fair value	**46**	1,075
Trade and other payables	**67,396**	85,018
b. Non-current		
Derivatives – Interest rate swaps at fair value	**–**	139
Other financial liabilities	**–**	139

1 No interest is incurred on trade payables.

15. BORROWINGS

	Note	2013 $'000	2012 $'000
a. Current			
Unsecured bank overdrafts		**–**	–
Unsecured bank loans		**8,017**	6,816
Secured finance lease liabilities[1]	24	**301**	83
		8,318	6,899
b. Non-current			
Unsecured bank loans		**80,905**	29,363
Secured finance lease liabilities[1]	24	**70**	355
		80,975	29,718
c. Financing facilities			
Total facilities available:			
Unsecured bank overdrafts		**5,238**	8,144
Unsecured bank loans		**195,170**	193,290
Unsecured money market facilities		**15,000**	15,000
		215,408	216,434
Facilities used at balance date:			
Unsecured bank overdrafts		**–**	–
Unsecured bank loans		**88,922**	36,179
Unsecured money market facilities		**–**	–
		88,922	36,179
Facilities not utilised at balance date:			
Unsecured bank overdrafts		**5,238**	8,144
Unsecured bank loans		**106,248**	157,111
Unsecured money market facilities		**15,000**	15,000
		126,486	180,255

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 2013 is 4.83% (2012: 6.62%).

Unsecured bank loans

The main unsecured bank loan is provided by way of a Club Facility arrangement. In 2012 the Working Capital Facility was renewed for three years to 31 July 2015. The amount drawn under the Club Facility at 30 June 2013 is repayable on maturity of the Core Debt Facility (31 July 2014). The Working Capital Facility and Core Debt Facility are subject to variable interest rates. There are also unsecured facilities in Malaysia and China that are renewed annually.

The Club Facility agreement is for a total of $180 million with maturities in the periods as follows:

	Amount $ million	Year ended 30 June
Working Capital Facility	80	2016
Core Debt Facility	100	2015

Money market facility

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

16. PROVISIONS

	2013 $'000	2012 $'000
a. Current		
Employee benefits[1]	**14,351**	12,526
Restructuring	**1,023**	930
Warranty	**2,173**	2,208
	17,547	15,664
b. Non-current		
Employee benefits[1]	**3,577**	3,666
Restructuring	**894**	1,435
	4,471	5,101

1 Employee provisions include on-costs.

	2013 $'000	2012 $'000

Employee benefits

Aggregate liability for employee benefits, including on-costs, recognised and included in the consolidated financial statements is as follows:

Current	**14,351**	12,526
Non-current	**3,577**	3,666
	17,928	16,192
Accrued wages and salaries*	**2,050**	4,454
	19,978	20,646

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

16. PROVISIONS CONTINUED

	2013 $'000	2012 $'000
Restructuring provisions		
Carrying amount at beginning of year	**2,365**	5,257
Provisions recognised	**3,409**	278
Payments made during the year	**(3,916)**	(3,200)
Net foreign currency difference arising on translation of financial statements of foreign operations	**59**	30
Carrying amount at end of year	**1,917**	2,365

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.

	2013 $'000	2012 $'000
Warranty provisions		
Carrying amount at beginning of year	**2,208**	3,083
Provisions recognised	**9,480**	8,476
Payments made during the year	**(9,538)**	(9,354)
Net foreign currency difference arising on translation of financial statements of foreign operations	**23**	3
Carrying amount at end of year	**2,173**	2,208

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

	2013 $'000	2013 No. '000	2012 $'000	2012 No. '000
Fully paid ordinary shares				
71,341,319 fully paid ordinary shares (2012: 70,803,455)	**186,798**	**71,341**	182,324	70,803
Balance at the beginning of the year	**182,324**	**70,803**	170,063	69,090
Dividend Reinvestment Plan	**4,474**	**538**	12,261	1,713
Balance at the end of the year	**186,798**	**71,341**	182,324	70,803

During the year 537,864 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 2012 financial year paid on 3 September 2012 resulted in the issue of 537,864 shares. The Dividend Reinvestment Plan has since been suspended and did not apply to the interim dividend in respect of the 2013 financial year.

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

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

18. RESERVES

Foreign currency translation reserve

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

Cash flow hedge reserve

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

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, net of tax. The asset was sold during the prior year, therefore there is no balance at either year end.

Equity compensation reserve

The equity compensation reserve contains the value of equity benefits provided to employees as part of their remuneration. Refer to note 21 for further details.

19. INVESTMENT IN SUBSIDIARIES

	Country of incorporation	Percentage ownership interest 2013	2012
Parent entity			
GUD Holdings Limited[2]	Australia		
Subsidiaries			
Appliance and Homewares International Pty Ltd[1, 3]	Australia	**100**	100
Carsmart Workshop Pty Ltd[1]	Australia	**100**	–
Davey Pumps Inc	USA	**–**	100
Davey Water Products Pty Ltd[1, 3]	Australia	**100**	100
Dexion Limited[1, 3]	Australia	**100**	100
Dexion (Australia) Pty Limited[1, 3]	Australia	**100**	100
Dexion (Shanghai) Logistics Equipment Co. Ltd	Peoples' Republic of China	**100**	100
Dexion Asia Limited	Hong Kong	**100**	100
Dexion Asia Sdn Bhd	Malaysia	**100**	100
Dexion Commercial (Australia) Pty Limited[1, 3]	Australia	**100**	100
Dexion Integrated Systems Pty Limited[1, 3]	Australia	**100**	100
ED Oates Pty Ltd[1, 3]	Australia	**100**	100
Goss Products Pty Ltd[1, 3]	Australia	**100**	100
GUD (HK) Limited	Hong Kong	**100**	100
GUD Automotive Pty Ltd[1, 3]	Australia	**100**	100
GUD Europe Limited	United Kingdom	**100**	100
GUD NZ Holdings Limited	New Zealand	**100**	100
Lock Focus Pty Ltd[1, 3]	Australia	**100**	100
Monarch Pool Systems Pty Ltd[1, 3]	Australia	**100**	100
Monarch Pool Systems Europe S.A.S.	France	**100**	100
Monarch Pool Systems Iberica S.L.	Spain	**100**	100
Sunbeam Corporation Limited[1, 3]	Australia	**100**	100
Wesfil Australia Pty Ltd[1, 3]	Australia	**100**	100

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

Notes:
1 Member of the Australian tax-consolidated group.
2 GUD Holdings Limited is the head entity within the Australian tax-consolidated group.
3 Relieved from the need to prepare audited financial reports under Australian Securities Commission Class Order 98/1418 as party to a Deed of Cross Guarantee with GUD Holdings Limited, the 'closed group'.

19. INVESTMENT IN SUBSIDIARIES CONTINUED

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

Income Statement	2013 $'000	2012 $'000
Revenue	495,336	519,589
Net gain on sale of available for sale asset	–	63,666
Finance costs	(3,369)	(6,860)
Other expenses	(449,648)	(455,983)
Profit before income tax	42,319	120,412
Income tax expense	(11,575)	(29,981)
Profit for the year	30,744	90,431
Retained earnings at the beginning of the year	84,813	39,595
Dividends paid	(75,245)	(45,213)
Retained earnings at the end of the year	40,312	84,813

Balance Sheet	2013 $'000	2012 $'000
Current assets		
Cash and cash equivalents	14,902	14,167
Trade and other receivables	57,931	67,239
Other assets	11,961	8,560
Inventories	75,890	81,999
Total current assets	160,684	171,965
Non-current assets		
Other financial assets	37,286	34,865
Property, plant and equipment	25,222	25,452
Goodwill	75,651	75,651
Other intangible assets	56,206	57,954
Total non-current assets	194,365	193,922
Total assets	355,049	365,887
Current liabilities		
Trade and other payables	48,310	64,217
Borrowings	314	484
Current tax payables	1,492	13,053
Provisions	16,034	14,101
Total current liabilities	66,150	91,855
Non-current liabilities		
Borrowings	50,834	355
Other financial liabilities	–	–
Deferred tax liabilities	1,932	196
Provisions	4,153	4,667
Total non-current liabilities	56,919	5,218
Total liabilities	123,069	97,073
Net assets	231,980	268,814
Share capital	186,798	182,324
Reserves	4,870	1,677
Retained earnings	40,312	84,813
Total equity	231,980	268,814

20. SUPERANNUATION COMMITMENTS

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

21. KEY MANAGEMENT PERSONNEL (INCLUDING NON-EXECUTIVE DIRECTORS) COMPENSATION AND EQUITY HOLDINGS

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

- R M Herron (Chairman, Non-Executive)
- P A F Hay (Non-Executive)
- M G Smith (Non-Executive)
- G A Billings (Non-Executive)
- D D Robinson (Non-Executive)
- I A Campbell (Managing Director) (retires on 31 July 2013)
- M A Fraser (Chief Financial Officer)
- 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)

On 28 May 2013, GUD Holdings Ltd announced the appointment of Mr Jonathan Ling to the role of Managing Director and Chief Executive Officer with effect from 1 August 2013.

Key management personnel compensation policy

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

Key management personnel compensation

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

	2013 $	2012 $
Short-term employment benefits	**5,158,746**	6,472,194
Other long-term benefits	**53,363**	62,975
Post-employment benefits	**268,202**	443,837
Retirement benefits	**1,213,430**	1,273,395
Share based payments	**182,338**	–
	6,876,079	8,252,401

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 2013, key management personnel held directly, indirectly or beneficially 72,633 ordinary shares (2012: 324,468) 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 2013		Balance at 01 July 12 No.	Net other change No.	Balance at 30 June 13 No.
Directors				
Non-Executive				
R M Herron	(Chairman)	23,210	–	23,210
P Hay		3,707	156	3,863
M Smith		5,560	–	5,560
G A Billings		–	–	–
D Robinson		–	–	–
Executive				
I A Campbell	(Managing Director)	291,991	(251,991)	40,000
Other key management personnel				
M A Fraser	(Chief Financial Officer)	–	–	–
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)	–	–	–
		324,468	(251,835)	72,633

For the year ended 30 June 2012		Balance at 01 July 11 No.	Net other change No.	Balance at 30 June 12 No.
Directors				
Non-Executive				
R M Herron	(Chairman)	23,210	–	23,210
C K Hall	(former Chairman)	73,210	(73,210)	–
P A F Hay		2,893	814	3,707
M G Smith		5,560	–	5,560
G A Billings		–	–	–
D D Robinson		–	–	–
Executive				
I A Campbell	(Managing Director)	278,954	13,037	291,991
R J Wodson	(former Finance Director)	48,399	(48,399)	–
Other key management personnel				
M A Fraser	(Chief Financial Officer)	–	–	–
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)	–	–	–
		432,226	(107,758)	324,468

21. KEY MANAGEMENT PERSONNEL (INCLUDING NON-EXECUTIVE DIRECTORS) COMPENSATION AND EQUITY HOLDINGS CONTINUED

Performance Rights Plan

During 2013, certain employees were eligible to participate in a Performance Rights Plan. Each performance right granted under the 2015 Performance Rights Plan is subject to a vesting period of 2.6 years commencing from the date of grant. Subsequent Performance Rights Plans will have a vesting life of three years. The performance rights will only vest at the end of the vesting period if a predefined total shareholder return (TSR) hurdle is met. The TSR hurdle is as follows:

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

Grant date	Exercise date	Expiry date	Exercise price	Number as at 01 July 12	Granted	Number as at 30 June13
22 November 12	30 Jun 15	n/a	$0.00	–	372,471	372,471

The fair value of performance rights granted under the 2015 Performance Rights Plan was assessed using the following parameters:

	2015 Plan
Grant date	22 November 12
Share price at grant date[1]	$8.09
Fair value at measurement date[2]	$4.40
Exercise price	$0.00
Expected volatility[3]	23%
Performance rights life remaining at 30 June 2013	2 years
Expected dividend yield p.a.[4]	8.0%
Risk free interest rate p.a.[5]	2.7%

Notes:
1 The grant date is the date that the Performance Rights Plan was approved by the Board of the Company.
2 A Monte Carlo simulation incorporating the TSR hurdle as described above has been used in order to derive this value.
3 The expected volatility is based on historical daily share prices for a 2.6 year period to the valuation date.
4 The expected dividend yield is based on the historic yield and the expected future yield at grant date.
5 The risk-free rate is based on the yields on Commonwealth Government Treasury Bonds using data from the Reserve Bank of Australia.

21. KEY MANAGEMENT PERSONNEL (INCLUDING NON-EXECUTIVE DIRECTORS) COMPENSATION AND EQUITY HOLDINGS CONTINUED

Performance rights holdings of key management personnel.

	Balance at 01July 12	Rights granted during the year	Rights vested during the year	Rights lapsed during the year	Balance at 30 June 13
Executives					
I A Campbell	–	84,745	–	–	84,745
M A Fraser	–	16,122	–	–	16,122
D Jackson	–	13,573	–	–	13,573
D Birch	–	10,598	–	–	10,598
R Pattison	–	11,718	–	–	11,718
C Anderson	–	13,392	–	–	13,392
T Cooper	–	10,770	–	–	10,770
P Farmakis	–	17,592	–	–	17,592
Total	**–**	**178,510**	**–**	**–**	**178,510**

22. AUDITORS' REMUNERATION

	2013 $	2012 $
Audit and review services:		
The auditor of GUD Holdings Limited		
– audit and review of financial reports	**597,978**	571,355
Other auditors:		
– audit and review of financial reports	**17,517**	12,104
	615,495	583,459
Other services:		
The auditor of GUD Holdings Limited		
– in relation to other assurance, taxation and due diligence services	**248,479**	355,390
	248,479	355,390

23. NOTE TO THE CASH FLOW STATEMENT

	2013 $'000	2012 $'000
Reconciliation of profit after income tax to net cash provided by operating activities		
Profit after income tax	31,464	92,762
Depreciation and amortisation	14,125	13,704
Impairment of brand names	1,811	–
Impairment of fixed asset due to restructuring	2,209	–
Interest received	(197)	(413)
Interest paid	5,431	9,542
Dividends received from listed security investment	–	(1,756)
Net gain on sale of available for sale asset	–	(63,666)
Loss on sale of property, plant and equipment	199	(2)
Changes in working capital assets and liabilities:		
(Decrease)/increase in net tax liability	(2,854)	14,686
Decrease in inventories	3,913	1,020
Decrease/(increase) in receivables	17,202	(174)
(Increase) in other assets	(4,279)	(1,100)
Increase/(decrease) in provisions	1,253	(4,209)
(Decrease) in payables and derivatives	(18,803)	(3,502)
Net cash provided by/(used in) operating activities	51,474	56,892

24. COMMITMENTS FOR EXPENDITURE

	2013 $'000	2012 $'000
Capital expenditure commitments		
Plant and equipment		
Contracted but not provided for and payable:		
Within 1 year	3,852	305
Between 1 and 5 years	–	–
Later than 5 years	–	–
	3,852	305

	2013 Buildings $'000	2013 Other $'000	2012 Buildings $'000	2012 Other $'000
Non-cancellable operating lease expense commitments				
Future operating lease commitments not provided for in the consolidated financial statements and payable:				
Within 1 year	13,373	3,730	13,180	2,812
Between 1 and 5 years	25,280	7,160	27,576	3,500
Later than 5 years	3,828	–	3,992	–
	42,481	10,890	44,748	6,312

24. COMMITMENTS FOR EXPENDITURE CONTINUED

	Note	2013 $'000	2012 $'000
Finance lease payment commitments			
Plant and equipment			
Minimum future lease payments:			
Within 1 year		313	110
Between 1 and 5 years		68	365
Later than 5 years		–	–
Total finance lease commitment		381	475
Less: Future finance lease charges		(10)	(37)
Finance lease liability		371	438
Present value of minimum future lease payments:			
Within 1 year		301	83
Between 1 and 5 years		70	355
Later than 5 years		–	–
		371	438
Lease liabilities provided for in the consolidated financial statements:			
Current	15a	301	83
Non-current	15b	70	355
Total lease liability		371	438

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 10 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

In April 2008, the Consolidated Entity entered into an agreement with the Managing Director, Mr I A Campbell to provide an unsecured loan of $564,000 repayable in the event that his employment ceases. The interest rate applicable to the loan was the Consolidated Entity's cost of funds plus a margin of 0.25%, which is considered to be on arm's length terms, hence no compensation value has been attributed to the loan. Mr I A Campbell undertook not to dispose of 130,000 GUD Holdings Limited shares held in his name while the loan remained outstanding. As at the reporting date, the loan has been repaid in full and all interest charged on the loan during the year has been paid.

	Note	2013 $'000	2012 $'000
Opening loan balance		295	564
Loan repaid		(295)	(269)
Closing loan balance	8	–	295
Interest paid during the period		4	29

25. RELATED PARTIES CONTINUED

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 $377,000 excluding GST (2012: $377,000 excluding GST). The Consolidated Entity's policy is that related party lease arrangements are undertaken with commercial terms and conditions.

26. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

a. Overview

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

- credit risk
- liquidity risk
- market risk

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

b. Financial risk management objectives

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

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

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

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

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

c. Credit risk

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

Trade and other receivables

The Consolidated Entity's exposure to credit risk is characterised by the following:

- the majority of customer sales transactions are domestic in nature;
- trade receivables are non-interest bearing and domestic trade receivables are generally on 30 to 60 day terms;
- the Consolidated Entity as a whole is not exposed in a material way to any single customer; however, there are significant customers with individual businesses in the retail, hardware and automotive aftermarket sectors;
- new customers are subjected to credit assessment by the specific business within the Consolidated Entity that they wish to transact with and are allocated credit limits that are managed according to the needs of the customer and the risk assessment of the relevant business;
- most businesses within the Consolidated Entity maintain credit insurance to lessen the credit risk;
- ageing of customer receivables is reviewed in detail each month by businesses within the Consolidated Entity and by the Company in an oversight capacity.

26. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT CONTINUED

In order to manage credit risk, goods are sold subject to retention of title clauses and where considered appropriate registered under the Personal Properties Securities Act, so that in the event of non-payment, the 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 that it is committed to pay the Consolidated Entity. To address this risk the Consolidated Entity restricts its dealings to financial institutions with appropriate credit ratings.

d. Liquidity risk

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

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

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

2013	Carrying amount $'000	Contractual cash flows $'000	Less than 1 year $'000	1 to 2 years $'000	2 to 5 years $'000
Financial liabilities					
Trade and other payables	**67,396**	**67,396**	**67,396**	**–**	**–**
Unsecured bank loans	**88,922**	**95,827**	**13,017**	**58,682**	**24,128**
Secured finance lease liabilities	**371**	**371**	**301**	**70**	**–**
	156,689	**163,594**	**80,714**	**58,752**	**24,128**

2012	Carrying amount $'000	Contractual cash flows $'000	Less than 1 year $'000	1 to 2 years $'000	2 to 5 years $'000
Financial liabilities					
Trade and other payables	85,157	85,157	85,018	139	–
Unsecured bank loans	36,179	42,628	9,973	2,439	30,216
Secured finance lease liabilities	438	438	83	355	–
	121,774	128,223	95,074	2,933	30,216

e. Market risk

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

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

- forward foreign exchange contracts, options and collars to hedge the exchange risk arising from the importation and sale of goods purchased in foreign currency (principally US dollars); and
- interest rate swaps, options and collars to partially mitigate the risk of rising interest rates.

At 30 June 2013, the Consolidated Entity is exposed to $10,392,000 (2012: $8,736,000) of US$ denominated net liabilities.

26. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT CONTINUED

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.

Foreign currency risk management analysis

Forward foreign exchange contracts

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

	Average exchange rate		Foreign currency		Contract value		Fair value	
	2013	2012	2013 FC'000	2012 FC'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Buy United States Dollars	0.9793	1.0178	85,645	(3,413)	85,575	(3,069)	7,833	(305)
Buy Chinese Renminbi	5.9661	–	16,146	–	2,706	–	73	–
Buy European Euro	0.7676	0.7671	1,199	3,342	1,563	4,357	144	(179)
Buy Australian Dollars (NZ entities)	0.8098	0.7799	1,611	3,689	1,676	3,704	(66)	(26)
					91,520	4,992	7,984	(510)

Sensitivity analysis – foreign exchange AUD/USD	2013 $'000	2012 $'000
For every 1c decrease in AUD:USD rate, total exposures increase by:		
Income statement	16	35
Equity	(1,007)	(929)

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 per cent in year one to a minimum of 20 per cent in year three. The hedging of the core debt level is reviewed monthly by the Financial Risk Management Committee.

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

26. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT CONTINUED

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

Sensitivity analysis – interest rates	2013 $'000	2012 $'000
For every 100 basis points increase in interest rates:		
Income statement	–	(119)
Equity	(452)	–

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

	Average contracted fixed interest rate		Notional principal amount		Fair value	
Outstanding floating for fixed contracts	2013 %	2012 %	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Less than 1 year	2.91	4.78	57,358	63,994	(46)	(1,075)
1 to 2 years	2.91	4.46	25,000	1,305	25	(139)
2 to 5 years	2.95	–	6,667	–	19	–
			89,025	65,299	(2)	(1,214)

f. Capital management

The Board's policy is to maintain a strong capital base for the Consolidated Entity. This policy is predicated on the need to 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 when measuring returns achieved by each business. This approach involves comparing the cash profit achieved to the cost of the capital utilised by each business. This cost of capital represents a weighted average cost of debt and equity and allows a single measure to assess business performance. The Consolidated Entity has consistently achieved CVA returns in excess of its weighted average cost of capital resulting in positive shareholder returns.

The Consolidated Entity is not subject to any externally imposed capital requirements. The terms and the conditions of the bank bill facility contain two financial covenants: minimum interest cover and maximum debt to earnings. Both covenants have been satisfied during the 2012 and 2013 financial years.

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

g. Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

26. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT CONTINUED

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

For the year ended 30 June 2012	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Derivatives – Foreign currency forward contracts and options	–	2,292	–	2,292
Derivatives – Interest rate swaps at fair value	–	(1,214)	–	(1,214)
	–	**1,078**	**–**	**1,078**

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

27. PARENT ENTITY DISCLOSURES

As at and throughout the financial year ending 30 June 2013, the parent company of the Consolidated Entity was GUD Holdings Limited.

	GUD Holdings Limited	
	2013 $'000	2012 $'000
Results of the parent entity		
Profit for the period	**35,391**	88,760
Other comprehensive income	**22**	(45,194)
Total comprehensive income for the period	**35,413**	43,566
Financial position of the parent entity at the year-end		
Current assets	**23,474**	22,702
Total assets	**297,219**	295,394
Current liabilities	**8,429**	22,254
Total liabilities	**59,461**	22,278
Net assets	**237,758**	273,116
Total equity of the parent entity comprising of:		
Share capital	**186,798**	182,324
Retained earnings	**50,938**	90,792
Other reserves	**22**	–
Total equity	**237,758**	273,116
Parent entity contingencies		
Contingent liabilities	**63,608**	74,795

The parent entity is party to two guarantees relating to subsidiaries. The bank borrowing facility described in note 15 requires the parent entity to guarantee the bank borrowings of GUD NZ Holdings Limited, which in turn guarantees the obligations of the parent entity, i.e. a cross guarantee. No liability is recognised by the parent entity as GUD NZ Holdings Limited is expected to be able to meet its debts as they fall due.

The parent entity is also party to a Deed of Cross Guarantee as described in note 19. There is no expectation of a liability to the parent entity as a result of this guarantee.

As a result of the above assessments, the fair value has been deemed to be nil and no liability has been recorded.

Other than noted above the parent entity has no material contingent liabilities at 30 June 2013.

Capital commitments

The parent entity does not have any capital commitments for the year ending 30 June 2013 (2012: nil).

28. EARNINGS PER SHARE

	2013 $'000	2012 $'000
Profit for the period	**31,464**	92,762
Less: gain on sale of investment	**–**	(63,666)
Add back: restructuring and impairment costs	**7,653**	1,089
Tax effect on above items	**(1,707)**	13,963
Underlying profit for the period	**37,410**	44,148

	Number	Number
Weighted average number of shares used as the denominator for basic earnings per share – ordinary shares	**71,245,535**	70,141,088
Effect of performance rights granted	**205,812**	–
Weighted average number of shares used as the denominator for diluted earnings per share – ordinary shares	**71,451,347**	70,141,088

Earnings per share:	Cents per share	Cents per share
Basic earnings per share	**44.2**	132.3
Diluted earnings per share	**44.0**	132.3
Underlying earnings per share:	**Cents per share**	Cents per share
Basic underlying earnings per share	**52.5**	**62.9**
Diluted underlying earnings per share	**52.4**	**62.9**

29. CONTINGENT LIABILITIES

The Consolidated Entity had no material contingent liabilities at 30 June 2013 (2012: Nil).

30. SUBSEQUENT EVENTS

Dividends declared

On 24 July 2013, the Board of Directors declared a fully franked dividend of 26 cents per ordinary share, which was the final dividend for the 2013 financial year. The record date is 20 August 2013 and the dividend will be paid on 3 September 2013.

On 24 July 2013, the Board of Directors also declared a fully franked special cash dividend of 10 cents per ordinary share. The record date is 20 August 2013 and the dividend will be paid on 3 September 2013.

Other

Other than the matters outlined above, no matters or circumstances have arisen since the end of the financial year that have significantly affected or may significantly affect the operating results or state of affairs of the Consolidated Entity.

Directors' Declaration

In the opinion of the Directors of GUD Holdings Limited (the 'Company'):

a. the consolidated financial statements and notes and the remuneration disclosures that are contained in the Remuneration Report included in the Directors' Report are in accordance with the *Corporations Act 2001*, including:

   1. giving a true and fair view of the financial position of the Consolidated Entity as at 30 June 2013 and of its performance for the financial year ended on that date;
   2. complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b. there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

There are reasonable grounds to believe that the Company and the Group entities identified in note 19 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those Group entities pursuant to ASIC Class order 98/1418.

The Directors' draw attention to note 1 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the Managing Director and the Chief Financial Officer for the financial year ended 30 June 2013.

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

On behalf of the Directors

R M Herron Director

I A Campbell Director

Melbourne, 24 July 2013

Lead Auditor's Independence Declaration

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of GUD Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2013 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

JEBell

KPMG

Melbourne, 24 July 2013

Suzanne Bell Partner

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

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 2013, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year ended on that date, notes 1 to 30 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the Group's financial position as at 30 June 2013 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 2013. 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 2013, complies with Section 300A of the *Corporations Act 2001*.

Report on non-IFRS financial information

We have audited the non-IFRS financial information comprising the non-statutory remuneration disclosure set out on page 32 of the Director's Remuneration Report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the non-IFRS financial information in accordance with the basis of preparation set out on page 32 of the Director's Remuneration Report for the year ended 30 June 2013.

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

Auditor's opinion

In our opinion, the non-IFRS financial information comprising the non-statutory remuneration disclosure set out on page 32 of the Directors' Remuneration Report for the year ended 30 June 2013, is prepared, in all material respects, in accordance with the basis of preparation set out on page 32 of the Director's Remuneration Report for the year ended 30 June 2013.

KPMG

KPMG

Melbourne, 24 July 2013

SEBell

Suzanne Bell Partner

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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 16 August 2013

Shares held	No. of shareholders	%	Shares	%
1 – 1,000	4,340	31.04	2,459,803	3.45
1,001 – 5,000	7,080	50.63	18,202,734	25.51
5,001 – 10,000	1,669	11.94	12,124,369	16.99
10,001 – 100,000	865	6.19	17,107,428	23.98
100,001 and over	30	0.20	21,446,985	30.07
Total	13,984	100	71,341,319	100

There are 476 shareholders holding less than a marketable parcel of shares. A marketable parcel is $500.00.

The Twenty Largest Shareholders as at 16 August 2013	Number of Shares	%
HSBC Custody Nominees (Australia) Limited	4,182,776	5.86
JP Morgan Nominees Australia Limited	4,108,252	5.76
Citicorp Nominees Pty Limited	2,581,129	3.62
National Nominees Limited	1,795,288	2.52
RBC Investor Services Australia Nominees Pty Limited <Pi Pooled A/C>	1,679,043	2.35
Argo Investments Limited	1,395,000	1.96
UCA Growth Fund Limited	967,500	1.36
BNP Paribas Noms Pty Ltd <DRP>	591,627	0.83
Warbont Nominees Pty Ltd <Settlement Entrepot A/C>	534,297	0.75
JP Morgan Nominees Australia Limited <Cash Income A/C>	482,282	0.68
AMP Life Limited	253,661	0.36
Australian Foundation Investment Company Limited	250,000	0.35
Surgical Concepts Pty Ltd <Baxendale Super Fund A/C>	232,044	0.33
Mrs Jillian Anita Cobcroft	209,100	0.29
Sydney Equities Pty Ltd <Superannuation Fund A/C>	200,000	0.28
CS Fourth Nominees Pty Ltd	175,738	0.25
The Corp of the T/Tees of The Order of The Sisters of The Presentation	165,349	0.23
Tregony Pty Ltd	164,775	0.23
Kanowna Management Pty Ltd <Kanowna Super Fund A/C>	151,550	0.21
Josseck Pty Limited <The Josseck Family A/C>	147,550	0.21
Totals: The Twenty Largest Shareholders of Ordinary Fully Paid Shares	20,266,961	28.40

Substantial Shareholder of GUD Holdings Limited

As at 16 August 2013, the current notice of substantial shareholder was:

	Number of Shares	%
UBS AG	3,614,376	5.07

Shareholder Services and Information

Dividends/Dividend Reinvestment Plan

The GUD Holdings Limited DRP Plan is currently suspended.

Direct Payments to a Bank, Building Society or Credit Union

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

Uncertificated Issuer Sponsored Holdings

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

Stock Exchange Listing

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

Change of Address or Name

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

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

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

Share Holding Consolidation

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

Annual Report Mailing List

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

Tax File Number ("TFN")

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

Continuous Disclosure

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

Enquiries

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

Enquiries should be addressed to:

Computershare Investor Services Pty Limited

Enquiries Within Australia – 1300 850 505

Enquiries Outside Australia – 61 3 9415 4000

Investor Enquiries Facsimile Number – 61 3 9473 2500

Yarra Falls, 452 Johnston Street, Abbotsford Vic 3067

Postal Address – GPO Box 2975 Melbourne Vic 3001

Website: www.investorcentre.com

Email: www.investorcentre.com/contact

Financial Summary and Ratios

		2009 $ millions	2010 $ millions	2011 $ millions	2012 $ millions	**2013 $ millions**
Sales and profitability						
Sales revenue		468.3	474.7	592.8	609.1	**596.5**
Underlying EBIT*	Consumer Products	29.9	33.9	38.8	33.0	**19.9**
	Automotive Products	19.3	21.6	25.9	27.6	**27.9**
	Water Products	15.0	19.6	9.0	7.5	**8.3**
	Industrial Products	1.3	1.7	6.2	7.8	**7.2**
	Unallocated/discontinued	(4.7)	(5.3)	(2.8)	(5.5)	**(6.9)**
Total underlying EBIT*		60.8	71.6	77.1	70.3	**56.4**
Net underlying profit before tax*		53.1	65.2	68.2	61.2	**51.2**
Net underlying profit after tax*		37.4	46.4	49.0	44.1	**37.4**
Acquisition, integration, restructuring and impairment costs		(3.7)	0.0	(12.3)	(1.1)	**(7.7)**
Net profit before tax		49.3	65.2	55.9	123.7	**43.5**
Net profit after tax		34.8	46.4	39.7	92.8	**31.5**
Cash flow						
Cash flow from operating activities		57.9	78.2	67.8	56.9	**51.5**
Financial position						
Current assets		167.8	174.9	212.4	218.6	**213.3**
Current liabilities		63.1	66.2	111.9	119.9	**94.9**
Net debt		90.6	16.3	102.1	17.4	**64.9**
Net tangible assets		39.5	126.3	86.2	100.9	**68.7**
Total equity		131.1	218.1	257.6	273.7	**239.1**

	2009	2010	2011	2012	**2013**
Per share performance					
Underlying earnings per share* – cents	64.5	76.5	71.7	62.9	**52.5**
Earnings per share – cents	60.0	76.5	58.1	132.3	**44.2**
Dividend declared per share – cents	60.0	62.0	64.0	65.0	**52.0**
% Franked	100%	100%	100%	100%	**100%**
Payout ratio*	93.1%	81.1%	89.3%	103.3%	**99.0%**
Share statistics (at 30 June each year)					
Total shares on issue – millions	60.1	65.9	69.1	70.8	**71.3**
Closing share price – $	6.42	8.65	9.10	8.60	**5.99**
Market capitalisation	386.0	569.9	628.7	608.9	**427.3**
Key ratios					
Underlying EBIT/sales*	13.0%	15.1%	13.0%	11.5%	**9.5%**
Return on capital employed*	16.8%	18.7%	13.0%	15.1%	**12.2%**
Return on equity*	28.5%	21.3%	19.0%	16.1%	**15.6%**
Return on assets*	13.0%	14.8%	10.1%	10.8%	**9.4%**
Net debt/total capital	40.9%	6.9%	28.4%	6.0%	**21.3%**
Net debt/market capitalisation	23.5%	2.9%	16.2%	2.9%	**15.2%**
CVA return* #	16.9%	19.7%	19.9%	14.2%	**12.2%**
Working capital^/sales	20%	19%	15%	15%	**17%**
Capital expenditure/depreciation and amortisation	92%	83%	94%	113%	**102%**
Interest cover – times*	7.9	11.2	8.7	7.7	**10.8**

* Underlying results exclude acquisition, integration, restructuring and impairment costs.
^ Working capital is receivables, inventories, other assets, payables and provisions.
# Excludes Dexion in 2011.

Corporate Directory

Directors
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J P Ling, Managing Director
P A F Hay
M G Smith
G A Billings
D D Robinson

Chief Financial Officer
M A Fraser

Company Secretary
M G Tyler

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KPMG
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Financial Calendar 2013/14

2013

September
Payment of final dividend
– 3 September

Annual Report and Notice of
AGM mailed to shareholders
– mid-September

October
Annual General Meeting
– 31 October

2014

Late January
Announcement of results
for the half-year ending
31 December 2013

Announcement of dividend

February/March
Record date for interim dividend

Payment of interim dividend

June
End of Company's 2013/14
financial year

Late July
Preliminary announcement of
results for 2013/14 financial year

Timing of events can be subject to change

Annual General Meeting
The Annual General Meeting of GUD Holdings Limited will be held at the RACV Club, Level 17, 501 Bourke Street, Melbourne on Thursday, 31 October 2013 at 11:00am.

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