



GUD Holdings Limited

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22 September 2015

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

Dear Sir,

GUD Holdings Limited – Annual Review

Attached is a copy of the GUD Holdings Limited 2015 Annual Review which will be forwarded to shareholders today.

Yours faithfully

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

Malcolm G Tyler
Company Secretary

**GUD
HOLDINGS
ANNUAL
REVIEW
2015**



GUD HOLDINGS LIMITED COMPRISES A NUMBER OF DYNAMIC CONSUMER AND INDUSTRIAL PRODUCTS COMPANIES BASED IN AUSTRALIA AND NEW ZEALAND. THROUGH THESE BUSINESSES, GUD IS THE OWNER OF ONE OF THE ASIA-PACIFIC REGION'S PREMIER BRAND PORTFOLIOS. MOST OF GUD'S BRANDS ARE MARKET LEADERS IN THEIR INDIVIDUAL PRODUCT CATEGORIES AND INDUSTRIES.



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Annual General Meeting

The Annual General Meeting of GUD Holdings Limited will be held at the:
RACV Club
Level 17
501 Bourke Street Melbourne
on Tuesday 27 October 2015 at 10.00am

OPERATING AND FINANCIAL REVIEW



R M Herron Chairman

J P Ling Managing Director

Overview

Following 2013/14's year of transition for GUD, 2014/15 was marked by major progress being made on all elements of the strategy that was articulated in last year's Operating and Financial Review.

The uplift in profit performance reported for 2014/15 is a direct result of the initiatives and programs that commenced in the previous financial year. These programs focused on three targeted areas for improvement, namely:

1. A detailed understanding of where each business generates its profits, by customer and by product. The majority of the underpinning analyses for this program was completed in 2013/14 and in the ensuing year the detailed profit improvement plans by business were documented and acted upon. Structured tracking of progress is in place to ensure that the improvements flagged are delivering the required uplift in financial performance. The expected benefits from the first fully developed profit improvement plans at Davey, Dexion and Sunbeam have been instrumental in driving the profit uplift in each of these businesses.
2. The second corporate program instigated in 2013/14 centred on creating a high performance culture in each operating business. The development of this program continued in 2014/15 with each business's management team now engaged in embedding high performance principles into their daily operating environments.
3. Following progress being made on the first two programs detailed above, focus has now turned to creating a breakthrough innovation culture across all GUD's businesses. Innovation, whether product or service, is fundamental to driving sales growth and margin protection in future years. GUD's aim is to have, in each business, a pipeline of breakthrough new products or services to ensure that brand momentum is maintained in every sector in which the Group competes. A Product Leadership Council has been established, which is tasked with driving an innovation culture in the operating businesses and with gauging the success of innovation activities with a common set of key performance measures. The initial, truly innovative new product releases are flagged for the 2015/16 year, while progress continues on a number of other ideas that should come to fruition either later in the financial year or into 2016/17.

Apart from underpinning a necessary return to more acceptable levels of profitability and economic return, the principal objective of the three programs described above is to position GUD as a portfolio manager of a group of product leadership businesses that are managed for growth with common links through:

- Strong, innovation cultures.
- Embedded high performance cultures, and
- Well-led, competent management teams.

In addition to the activities described above, major actions to address the future shape of the Group's portfolio of businesses occurred in 2014/15. An analysis of past financial performance, sector attractiveness and each business's position and capabilities was performed and a set of guiding portfolio principles agreed.

Consequently, two major strategic portfolio activities occurred in the 2014/15 year:

1. The Sunbeam small appliance business was placed in a joint venture with the US-based Jarden Corporation. Jarden has a substantial position in the small appliance industry internationally, especially in North and Latin America and Europe, and has a nascent presence in the emerging markets of South East, North East and sub-continental Asia. The link with Jarden provides Sunbeam with access to a broad product and brand portfolio along with the ability to capitalise on market growth in the region. Likewise Jarden benefits from Sunbeam's skills in consumer insights, product design and engineering and brand marketing expertise.
2. The acquisition of Brown & Watson International Pty Ltd (BWI), which was completed on the first day of the 2015/16 financial year. The portfolio review noted above identified that the automotive aftermarket was an attractive sector, as evidenced by GUD's Automotive business being the standout performer for the Group in recent years. Consequently, additional presence in this sector has been targeted and the opportunity to acquire BWI arose during the year. Following operational, financial and legal due diligence the acquisition was completed. BWI, through its brands Narva and Projecta, complements GUD's current presence in automotive aftermarkets with Ryco and Wesfil in filtration products and Goss with engine management parts. BWI, like GUD's long-standing automotive activities, is a branded business focused on the aftermarket with no reliance on the vehicle manufacturing sector in Australia.

All of the activities described above have been aimed at transitioning GUD and positioning it for the future. The early results from the profit improvement plans are evident in the 2014/15 financial performance, with more expected to come in the 2015/16 year. The first truly innovative products will be in market launch phase during the first half of the current year, while the effects of the Sunbeam joint venture and BWI acquisition will be equally apparent in the results.

2015 HIGHLIGHTS

- ➔ Record sales level of \$611.5 million
- ➔ Successfully raised \$101.5 million in new equity
- ➔ Placed Sunbeam in joint venture with Jarden Consumer Solutions
- ➔ Reported attributable profit up 88% to \$33.2 million

- ➔ Established new banking facilities at lower cost
- ➔ Announced the acquisition of Brown & Watson International
- ➔ Underlying EBIT up 20% to \$58.9 million as a result of profit improvement initiatives

- ➔ Total dividend increased 17% to 42 cents per share fully franked
 - ➔ Commenced innovation initiative to underpin sales and margin growth in future years
- A summary of financial information is available on page 18 of this Annual Review 2015.

OPERATING AND FINANCIAL REVIEW

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GUD DELIVERED ON ITS COMMITMENT TO PROFIT GROWTH THROUGH SUCCESSFULLY IMPLEMENTING PROFIT IMPROVEMENT INITIATIVES IN MOST BUSINESSES. FOCUS IS NOW TURNING TO GENERATING GROWTH THROUGH THE INTRODUCTION OF NEW, BREAKTHROUGH PRODUCTS.

Financial Performance Review

Sales

The two years of revenue decline reported in 2012/13 and 2013/14 was reversed in the 2014/15 financial year. Total Group revenue increased by three per cent to \$611.5 million, the highest revenue result achieved by the business.

The revenue growth reported was just under \$20 million and all businesses, with the exception of Sunbeam, registered growth on the prior year.

All of this growth occurred in the second half of the year when revenue increased by \$21.2 million following a small decline in the first half, compared with the previous first half year.

All the business units recorded second half revenue growth. The principal factors influencing these revenue results for the 2014/15 year were:

- Despite an overall decline of two per cent, which was due to a decline in the first half of \$4.5 million on the previous first half, Sunbeam's revenue trend reversed notably in the second half. Growth of \$1.7 million was reported, with the major contributors to this being the launch of the Oster blender range, the introduction of the GoBlend and GoLunch products and, stemming from these activities, an improvement in retailer support. In addition the reintroduction of the Sunbeam brand into the Noel Leeming chain of stores in New Zealand has provided a further boost to revenue on a year-on-year basis.
- Growth in Dexion, especially in the second half, as some major projects were finalised and as market conditions in New Zealand and Asia improved. The Australian market for warehouse racking products continues to suffer from pricing and margin pressure and this is being addressed through a number of ongoing cost-to-serve improvement actions.
- Oates reported solid sales growth across the year, reflecting its market-leading service capabilities in the hardware and commercial market segments. The grocery market remains competitive and brands continue to be under pressure from retailers' house brand aspirations.

- The Automotive business benefited from a combination of new product activities and market-leading marketing and promotional campaigns. Revenue growth of six per cent was recorded, reflecting the market share gains being made by Ryco, Goss and Wesfil in their respective market segments.
- With little new product activity in the year and prolonged competitive conditions in the Australian water product markets, Davey's revenue improved by only one per cent on the level of the prior year. What new product activity there was occurred late in the year, with the result that there was little contribution logged. Conversely, Davey's export business picked up following the devaluation of the Australian dollar and as a result of a number of in-market initiatives.
- Despite suffering from delayed new product programs and relatively flat demand in a number of crucial market segments, Lock Focus registered a small revenue growth from its identified growth market segments.

Profit

Attributable profit after tax was \$33.2 million, an increase of 88 per cent on the \$17.7 million in the prior year. Apart from an improvement in business operating performance, a major contributor to the profit uplift was the absence of substantial restructuring and impairment costs in 2014/15.

In the prior year a total of \$19 million pre tax was incurred in Sunbeam and Dexion, principally in restructuring and associated activities. In 2014/15 no costs of this nature were incurred. However, an amount of \$1.7 million was incurred relating to costs associated with the Sunbeam joint venture transaction and the acquisition of BWI.

Underlying Earnings before Interest and Tax (EBIT) increased by 20 per cent to \$58.9 million from \$49.0 million in the prior year. With the exception of Lock Focus, all business reported growth in underlying EBIT in 2014/15, Sunbeam being the standout with a 383 per cent uplift. Dexion's underlying EBIT improved an impressive 72 per cent on the prior year's level.

The principal factors affecting the profit results for the 2014/15 year were:

- The profit improvement plan initiatives that were actioned in Sunbeam, Dexion and Davey following the profitability analyses completed in late 2013. Improvements in freight and logistics costs, warranty costs and cost-to-serve have all contributed to the profit uplift in these businesses.
- Sales growth and gross profit margin contributed nearly \$8 million of gross profit improvement compared with the prior year. In a year when the Australian dollar has devalued against the US dollar, the primary currency in which GUD purchases a substantial component of its product requirements, all business have been active in either seeking price increases to compensate for the high cost of product, or actively managing product cost with suppliers, or a combination of both. The recent decline in commodity and base metal prices has resulted in further opportunities to improve the cost of product with the objective of maintaining gross profit margins.
- Gross profit margin remained stable at just over 37 per cent as a consequence of the pricing and product cost activities mentioned above and as a result of the prior year's restructuring activities. There has been a contribution to this result from Dexion's relocation of rack manufacturing from Sydney to Malaysia, as well as from Dexion Commercial ceasing manufacturing and outsourcing to lower cost product sources.

Foreign Exchange

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

To address these potential impacts, GUD continues hedges up to 90 per cent of the forecast foreign currency net purchases for up to 12 months. In considering the level and period of forward cover for each business, management considers the typical variability and seasonality of sales and the typical lead times required to review price lists and apply price changes in the markets or channels where the businesses participate.

As the gradual weakening of the Australian dollar was anticipated, currency hedging over the past year was addressed exclusively through forward exchange contracts wherein the exchange rate is defined at the time of entering the contract.

The weakening of the Australian Dollar, and with it the New Zealand Dollar, against the US Dollar has necessitated the careful management of potential supplier cost reductions as well as domestic cost inflation, and in most businesses revisions to price lists. The businesses were successful in achieving price rises although, in the case of Dexion, weakening steel prices largely offset the currency impacts to reduce the level of price increases sought from the market. Many businesses have also put in place, or are finalising, price rises to take effect early in the coming financial year in light of current exchange rates and anticipated domestic cost inflation.

Dividends

The total dividend for the 2014/15 year was 42 cents per share, consisting of an interim dividend of 20 cents per share and 22 cents per share final dividend. Both dividends were fully franked.

The total dividend for 2014/15 represents an increase of 17 per cent on the level for the previous financial year, when dividends of 36 cents per share were declared and paid.

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

Cash Generation and Capital Management

Operating cash flow increased from \$29.6 million in 2013/14 to \$30.1 million in the year being reviewed. The increase lagged the growth in profits as \$7.9 million of restructuring costs reported in the prior financial year were paid out in the current financial year, and inventory increased in line with new product introductions and a move towards a growth agenda in the coming year.

Debtors increased over the prior year, in part due to the robust sales performance in the last months of the year, but were largely funded by the growth in payables. In spite of the growth, the Group's value of bad debts did not escalate over the prior year's level and remain immaterial.

The major capital management development for the year was the increase in the Company's share capital following a private placement and a share purchase plan. These were required to partially finance the acquisition of BWI. A total of 14,140,358 shares were issued in the last quarter of the year, raising \$101.5 million after associated issue costs.

As a result of the liquidity flowing from the capital raisings the net debt of the Company, at 30 June 2015, swung to a net cash position of \$0.6 million. The Company returned to a net debt position on 1 July 2015 after the settlement of the BWI acquisition.

OPERATING AND FINANCIAL REVIEW

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External Financing Facilities

During the year GUD Holdings' debt facilities continued unchanged, with the Group relying principally on the \$150 million of facilities in place for Australia and New Zealand with a combination of Westpac, National Australia Bank and ANZ Banking Group, of which \$50 million was due to expire in October 2016 and \$100 million in October 2018. The agreement was modified during the year to permit the sale of 49 per cent of Sunbeam to Jarden Corporation.

Elsewhere minor additional facilities remain in place to support the working capital requirements of GUD's Asian subsidiaries.

To accommodate the acquisition of BWI, it was necessary to seek expanded banking facilities. With favourable facility pricing in the debt marketplace, the Company took the opportunity to negotiate new banking facilities for a total of \$300 million.

This new five-year facility commenced after the completion of the financial year and will expire on 1 July 2020. The facility, combined with interest swaps for a similar period on the expanded debt, provides mid-term security over debt finance availability and pricing. The new facility sees a change in the banking profile involving Westpac, NAB and the Commonwealth Bank. The ANZ Bank will continue to be involved through Asian debt facilities.

Strategy Review

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

This strategy is simple and includes the following elements:

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

Actions taken on these strategy components during the 2014/15 financial year are detailed below.

Innovation and New Product Development

As detailed earlier in this Operating and Financial Review, innovation and product leadership is a major priority for all businesses in the GUD group both in the short and longer terms. The principal focus is changing, however, from innovation that could be classified as incremental to that which is truly breakthrough.

Necessarily, breakthrough activities take longer to come to market than those that are merely cosmetic or minor, as they require a vigorous process starting with a deep understanding of consumers' or users' needs stemming from uncovering insights into behaviours and usage patterns.

Much of the evident new product activity in 2014/15 has been grounded in incremental processes. However, each business has embarked upon a course to identify the breakthrough product and service opportunities that will make a difference in the future. The progress with these varies by business, from one that is in prototype testing mode to others that are still undergoing research and ideation.

Notwithstanding that breakthroughs should become more frequent in 2015/16 there were a number of notable activities that supported revenue growth and margin retention in the year.

First, the connection with Jarden provided Sunbeam with the opportunity to launch a range of high quality blenders using Jarden's Oster brand. Oster was the original blender brand in the US and Sunbeam was able to select a number of products from Oster's range, including the high end Versa model, the iconic Beehive blender and a personal blender – the FitBlend. This range was launched in April 2015 in time for Mothers' Day. The launch was supported by a multi-faceted communications program based around extended infomercials shown on both free-to-air and subscription television.

The blender market has been one of the fastest growing categories in small electrical appliances in recent years, especially the personal blender segment. The joint venture with Jarden has allowed Sunbeam to circumvent the usual prolonged product development process and to access products that it can readily bring to market to capitalise on these types of trends.

While this new product activity can be classified as 'catch-up' the next phase of Sunbeam's new product program is dedicated to breakthrough actions. The first of these is scheduled for launch in the first half of the 2015/16 year.



Another notable new product activity occurring in 2014/15 comes from Dexion's Commercial business unit. This business is focused on storage solutions for commercial end uses; that is storage in offices, museums, libraries and the like. Following the completion of its challenging outsourcing program, attention in Dexion Commercial has been re-directed to new products and new markets. A growing market internationally at present is that for parcel lockers, as it is following the growth of internet shopping and the increase in parcel deliveries to consumers as a result.

Across the 2014/15 year Dexion was active in introducing three new lockers products onto the market, including one parcel locker range. These products have hit the mark and are partly behind the recovery in financial performance reported from Dexion Commercial.

Prior to the commencement of the 2014/15 year, Dexion's Industrial business completed the installation of the new 'Jumbo' equipment at its Kuala Lumpur factory. This gear allows Dexion to produce industrial racking structures for the emerging high-bay warehouse market. Demand for this profile of storage facility is growing rapidly, especially in the developing Asian markets where land is expensive. By building vertically rather than horizontally, the cost per square metre reduces substantially.

Dexion's ability to service this market with the particular racking product required has been enhanced by this investment in plant and it has been rewarded by Dexion securing six major automated systems projects for this type of product over the course of the year. It also maintains a strong order pipeline for product from this equipment going into 2015/16.

THE JOINT VENTURE WITH JARDEN CONSUMER SOLUTIONS PROVIDES SUNBEAM WITH ACCESS TO JARDEN'S EXTENSIVE PORTFOLIO OF PRODUCTS AND BRANDS FOR THE AUSTRALIAN AND NEW ZEALAND MARKETS, ALONG WITH A FOOTPRINT IN TWENTY ASIAN MARKETS.

OPERATING AND FINANCIAL REVIEW

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Investing in Brands

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

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

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

In the context of the brand planning disciplines instilled in GUD's operating businesses, the major branding activities, apart from new product development, that occurred in 2014/15 were:

- A number of disruptive and innovative marketing campaigns were initiated by Sunbeam in the lead-up to the Christmas trading period in 2014. These campaigns utilised a blend of media including traditional television and social media along with supporting in-store activities. Three campaigns were activated – The Seven Measures of Mixing, Real Men Cook and Cooking is Competitive. The consumer and trade response to all three was extremely positive during the period in which the campaigns were active.
- In addition to the marketing activities noted above, Sunbeam capitalised on its connection to Jarden Consumer Solutions by accessing products in the Jarden portfolio and launching them during the fourth quarter of the year in both Australia and New Zealand. Products were put to market using the Sunbeam and Oster brand names. These activities have been instrumental in driving Sunbeam's revenue growth in the second half.
- Following last year's line extension into agricultural and heavy duty filters, the Ryco business introduced a filter program for motorcycles, supplemented with an industry-leading catalogue. In addition, to maintain its market-leading position in automotive filtration, Ryco introduced 130 new part numbers as part of its strategy to ensure it is able to meet the needs of the local market with its diversity of automobile choices.
- Similar to Sunbeam, Ryco also embarked upon a disruptive marketing campaign with its Bucket List promotion run in conjunction with the automotive parts distributor Burson. Reflecting its innovative approach, this marketing activity won the 'Most Innovative Supply Chain Engagement Award' at the Australian Automotive Aftermarket Association Expo held in Melbourne in April 2015.

- Still in Automotive, the other two brands in this stable – Goss and Wesfil – both engaged in range extension programs during the year. Goss sourced and introduced an emission sensor parts program to complement its established range of replacement fuel pumps and associated engine management parts and expanded its range of coils to around 200 parts. Wesfil acquired a range of budget lighting products under the Exelite brand to complement its premium Osram offering.
- GUD's Oates cleaning products business continues with activities directed at securing its position as the number one supplier to the commercial and industrial cleaning market segment. These activities include new products and industry-leading trade programs. Reflecting this approach Oates was recognised by winning the 'Supplier of the Year' by the Rapid Clean group.
- Following its major brand consolidation activity in 2013/14 Dexion focused on a number of product launches in 2014/15 in both its Industrial and Commercial business units. In the former, the principal activity was the introduction of the Dexion 808 product, directed at large automated storage and retrieval systems. The existence of this product was only possible through commissioning the new 'Jumbo' roll-forming equipment at Dexion's Malaysian factory during 2014. The rationale for investing in this equipment was to provide Dexion with access to a growing market segment in the Asian and Middle Eastern region.
- In its Commercial business, Dexion brought to market a range of new products including shelving and lockers. Following a number of years of restructuring and withdrawal from local manufacturing, Dexion Commercial is now firmly focused on product innovation and this is evident through the new product activity in 2014/15, and that planned for successive years.
- Similar to its companion businesses in the GUD Group, Davey's year was also busy with product launches and marketing programs. A number of new product development activities, which had been underway for some years, finally reached the commercialisation stage in 2014/15. These included two variable speed drive pumps, one for swimming pools and one for pump sets, a small diesel engine FireFighter™ pump and Davey's new Promatic salt chlorinator. Moreover, Davey's support to regional and rural Australia was acknowledged by it winning Ruralco/CRT's 'Supplier of the Year' award in Queensland against 1,000 suppliers to this leading agribusiness.

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

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



Supply Chain Efficiency

GUD's traditional operating method has been to run each business completely autonomously, with very little sharing of facilities and services. Some purchasing and procurement activities have occurred centrally, where opportunities exist to capitalise on the combined purchasing power. For example, the Group has procured its ocean freight requirements on a consolidated basis since 2008. This approach has delivered substantial benefits to the operating businesses, as they have been able to secure more attractive freight rates due to the combined volumes along with a commitment to space, especially in peak seasonal periods.

With changing market conditions and increasingly competitive environments the potential to improve the Group's cost position through a more coordinated approach to supply chain activities was identified as an area that potentially provides opportunity to generate efficiencies and the attendant financial benefits.

Substantial effort has been applied to improving logistics costs at Davey in particular. As a result of a number of individual initiatives, freight and logistics cost at this business have reduced markedly both as a proportion of sales value and in absolute terms.

These initiatives have included revising the way spare parts are held and freighted, leading to a reduction in airfreight costs, leveraging the combined GUD spend to achieve more favourable freight rate structures and relocation to a shared facility in Brisbane.

The last of these is significant as it is the first time in many years that GUD's businesses have operated from a common distribution facility in an interstate location. The facility in Brisbane is shared between Oates and Davey. The benefits of this arrangement accrue not only in the form of operating efficiencies, but also in underpinning the reduction in product being shipped from a national warehouse to interstate branches. The Brisbane warehouse is sufficiently scaled that both Oates and Davey can ship product directly from offshore suppliers to Brisbane, thereby avoiding costly handling through their respective primary warehouses, both of which are located in Melbourne.

In addition to the improvements noted above, an evaluation of the potential to consolidate shipments at source (principally China) and ship directly to interstate locations is now being evaluated. If feasible this concept should lead to further utilisation of interstate branches and lessen the reliance on each business's main hub. The benefits of this are many, not the least of which is an enhanced level of customer service as product will be available at locations that are closer to the ultimate demand point at a lower cost.

Improved Manufacturing Efficiency

GUD maintains a manufacturing capability in three businesses – Davey, Dexion and Lock Focus. All other businesses in the Group source their products from third party suppliers, the majority of which are located offshore.

Davey essentially assembles products from sourced components at its Scoresby factory in Melbourne's south eastern suburbs. Close by, Lock Focus engages in die casting, metal stamping and assembly processes to make its range of locking and associated products.

The focus on improving manufacturing efficiency in 2014/15 was principally on Dexion

Until this year Dexion operated four manufacturing facilities. Three of these – Sydney, Kuala Lumpur and Shanghai – are associated with the warehouse racking part of the Dexion business, while the fourth – a factory in Sunshine, Melbourne – supported Dexion's Commercial business.

It was previously announced that, during the course of 2014/15, the Sunshine and Kings Park (Sydney) factories were to be closed. The rationale for ceasing operations at each of these locations was to lower the cost of product to ensure Dexion maintained competitiveness in each sector in which it competes. This process is well known to GUD, which, during the course of the late 1990s and into the 2000s, engaged in similar activities at Sunbeam, Oates and the Automotive businesses.

Dexion's Commercial manufacturing plant at Sunshine ceased operations in September 2014 and all products sold by Dexion Commercial are now sourced from offshore suppliers. The cost of this restructuring was taken up in the accounts for 2013/14. On top of the decision to exit the Elite Built business, which was completed in July 2014, the closure of Sunshine has had the effect of focusing this business's activities to product design, storage solution selling and project management and this focus is now being rewarded by a markedly improved financial performance and an improving position in the market, especially in the developing regions of South and North East Asia.

The most far-reaching manufacturing restructure was that in Dexion Industrial, which was also announced and accounted for in the previous financial year. This involved a number of activities including the closure of the factory in Sydney, the relocation of much of its machinery to Dexion's facility in Malaysia and the subsequent re-configuration of the Malaysian factory and the commissioning of the relocated equipment.

The Sydney factory was closed on schedule in October 2014. The first tranche of equipment to be shifted to Malaysia was moved in July that year and further shipments occurred progressively between July and September.

The reconfigured plant at Kuala Lumpur became fully operational in December 2014 and since that time efforts have been applied to maximising its efficiency and equipment utilisation.

To support the increased manufacturing capacity in Malaysia a new leased warehouse was built and automated equipment for shipping container loading and unloading was installed.

Following this fundamental reshaping of Dexion's manufacturing footprint the principal remaining task is that of supply chain efficiency. This was being addressed in the second half of 2014/15 and will remain a priority for the 2015/16 financial year.

The financial benefits from both of these activities – the closure of Sunshine and the relocation of Sydney – are evident in Dexion's financial performance. In particular the conversion cost for warehouse racking products has declined considerably as a result of the shift to Malaysia. However, there are further benefits to flow as Dexion's supply chain becomes optimised over time.

OPERATING AND FINANCIAL REVIEW

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Portfolio Management

GUD undertook two noteworthy portfolio-changing actions in the 2014/15 year:

- joint venturing the Sunbeam business with the US-based Jarden Corporation; and
- the acquisition of BWI.

The first of these, the Sunbeam joint venture, was announced in October 2014 and involved Jarden, through its small appliance business unit Jarden Consumer Solutions (JCS), acquiring 49 per cent of Sunbeam. In turn, GUD has acquired 49 per cent of JCS's Asian sales and marketing operations.

The two joint ventures are operating under a unified management structure that is led by Sunbeam's CEO, Karen Hope. The combined business has been tasked with growing sales of both Sunbeam's and JCS's array of products in the Asia-Pacific region. The business is expected to be active in 20 countries spanning from India to New Zealand in 2015.

The rationale for this arrangement is that this effectively resolves Sunbeam's lack of international scale and geographic brand ownership limitations. Sunbeam is able to access the full JCS product range and brand portfolio to support revenue growth in Australia and New Zealand. Equally, opportunities open up for Sunbeam's product range across the Asian markets opportunities that were not previously available due to GUD having ownership rights to the Sunbeam brand for only Australia and New Zealand.

One such opportunity has been secured with the April 2015 launch of a range of Oster blenders in Australia and New Zealand, as previously detailed.

In addition to the obvious sales growth potential available through combining the Sunbeam and JCS businesses, there is the potential to generate considerable synergy savings. Sunbeam will be able to utilise JCS's substantial Hong Kong-based sourcing office to complement its own activities in this critical business function, while it should also benefit from JCS's scale in purchasing small electrical appliances.

Following the announcement of the joint venture Sunbeam's sourcing and quality assurance team in Hong Kong relocated to Jarden's offices. This combining of the two organisations will accelerate the capturing of those synergies available on the product supply side of the business.

This venture with JCS addresses Sunbeam's need to have revenue growth opportunities outside of its established base in Australia and New Zealand, while it also provides the business with scale economies for sourcing. Importantly the joint ventures provide Sunbeam with the opportunity to participate in joint product development initiatives with Jarden globally, such initiatives being fundamental to underpinning future profit growth.

As noted in the Overview section of this Review, GUD undertook the acquisition of BWI on 1 July 2015. This acquisition was announced in May 2015 and was supported by a successful institutional share placement and retail share purchase plan.

BWI is a leading supplier of lighting and electrical accessories and battery power and maintenance products to, principally, the automotive aftermarket. It serves a broader customer base than GUD's existing Automotive business; this customer base includes the auto electrical trade, the battery specialist trade, manufacturers and fabricators of semi-trailers, truck bodies and caravans/campervans and motorhomes.

The business has been in existence since 1953 but has focused only on automotive products since the early 1980s.

Similar to most of GUD's business units, BWI maintains an active product development and technology expertise along with comprehensive test laboratory facilities. It manages two leading brands in their respective market sectors – Narva in lighting and Projecta in battery products – and sources its product range from leading international suppliers.

BWI's sales footprint covers Australia and New Zealand.

The acquisition of BWI was attractive to GUD for a number of compelling reasons, including:

- Attractive and complementary market – its fundamental business drivers are similar to the existing GUD Automotive business, with demand driven by Australia's total vehicle pool.
- Market-leading brands – it is the owner of the market-leading NARVA and Projecta brands in Australia and New Zealand.
- Leading in-house research and development capabilities – these allow BWI to be first to market with new products and technologies tailored to the local market conditions.
- Comprehensive product portfolio – BWI is a 'one-stop shop' with an extensive product range of over 6,000 products developed over 30 years.
- Broad customer base and diversified distribution channels.
- Strong expected financial performance with upside potential – there is a clear path to FY16 earnings growth with the introduction of new products and the implementation of GUD's management processes.
- Benefits to the broader automotive business – the ability to strengthen customer and supplier relationships across GUD Automotive and BWI.

BWI's long-standing Managing Director and significant shareholder, Steve Waterham, is retiring following the acquisition and his role will be filled by Bob Pattison, who transfers to BWI from GUD's Rycos business. This move will facilitate BWI's transition into, and integration with, GUD.

It is expected that this acquisition will contribute \$27.9 million of EBIT to the GUD result for the 2015/16 financial year.

THE ACQUISITION OF BROWN & WATSON INTERNATIONAL EXTENDS GUD'S ACTIVITY BASE IN THE AUTOMOTIVE AFTERMARKET AND PROVIDES IT WITH AN UNPARALLELED PORTFOLIO OF MARKET LEADING BRANDS IN LIGHTING AND ELECTRICAL PRODUCTS.

Brown & Watson International



Products

- Battery chargers
- Solar panels and kits
- Jump starters
- Booster cables
- Inverters
- Battery terminals
- Dual battery systems

Main markets and customer types

- Automotive trade
- Automotive retail
- Battery specialist trade
- Hardware retail
- Leisure retail (4wd/camping)
- Semi-trailer and truck fabricators



Products

- Driving lights and work lamps
- LED truck and trailer lighting
- Globes and switches
- Terminals, cable, cable ties
- Emergency lighting
- Accessories – fuses, trailer plugs etc.

Main markets and customer types

- Automotive trade
- Automotive retail
- Auto electrical trade
- Transport trade
- Export
- Hardware retail
- Leisure retail (4wd/camping)
- Caravan/campervan/motorhome manufacturers
- Semi-trailer and truck fabricators
- Bus builders



OPERATING AND FINANCIAL REVIEW

CONTINUED

Corporate Social Responsibility

People, Safety and Culture

Throughout the year there have been a number of initiatives introduced to instil confidence in GUD's people to succeed in business and build capability for the future, and to do so in a challenging, rewarding and safe environment.

Late in the preceding year the Managing Director set the threshold, challenging the Chief Executives of the businesses to drive for better performance in all aspects of business, but focusing on driving growth through innovation, high performance and re-looking at the ways of doing business.

As noted previously an innovation program has been introduced with the establishment of the Product Leadership Council. This has an ongoing focus of developing a stream of new products to ensure GUD's brands remain foremost in customers' and consumers' minds. The excitement generated by successful new products also engenders a sense of pride in all employees.

High performance was a particular focus, with CEOs and corporate executives introduced to a model for improving team dynamics and identifying, challenging and rewarding high performers. This program has been highly successful, most clearly in the performance of the Automotive business.

The year also saw the introduction of two surveys of employees. The first was a broad based employee satisfaction survey designed to understand how GUD people across the businesses perceive a number of cultural and management effectiveness dimensions. It was important to understand how people have coped with the changes introduced, how they feel about communication around the changes as well as how supportive the business is to roles and to contribution to the future direction. The responses to the survey lead to various initiatives to increase the communication of plans and objectives of the Board and senior management.

The second survey was a targeted employee safety survey as part of the approach to improving the overall safety culture by measuring initial safety culture strength and identifying areas for the improvement of safety management systems and leadership. The responses to this survey provided GUD's safety teams with information to consider strength and weaknesses in categories of Leadership, Structure, and Process and Actions. Since the survey the priority has been to enhance safety leadership through a number of initiatives.

The results from the increased emphasis on safety across the businesses are evident in the following table.

Measure	2012/13	2013/14	2014/15
Total Recordable Injury Frequency Rate	16.8	14.3	8.2
Lost Time Injury Frequency Rate	3.7	5.6	1.8
Days Lost per 100 Employees Per Year	25.4	27.8	17.1

Not resting there, management is intent on moving safety culture away from one of supervised safety to independence, where employees take responsibility for their own safety and the safety of their work colleagues.

Another initiative undertaken during the year was to conduct a study, with the assistance of AON Hewitt, to evaluate and grade each role within the businesses. This study allows the Group to ensure equality and fairness in making salary and career decisions for GUD's employees. It also forms the basis of ensuring sustainability into the future, in particular in areas such as career and succession planning, development planning and workforce planning. The objective is to understand and grow the pool of talent available to the Group and ensure that personnel with the right skills and experience are best utilised.

Diversity, in particular gender diversity, is at the forefront of Board and management thinking. GUD's formal report on diversity is included in the Corporate Governance Statement, which is available on the website at <http://www.gud.com.au/corporate-governance>. A copy of GUD's diversity policy is also available at the same location.



Sustainability

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

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

GUD addresses sustainability on two levels:

1. Striving to design and make more environmentally sustainable products, in terms of efficiency, materials usage and recycling. GUD's businesses have always strived to bring innovation to their product ideas and development. Recent management action has meant that innovation, an important factor in the sustainability of any business, has been mandated as a priority.
2. Improving the Group's manufacturing and distribution operations and processes to optimise performance. A major focus continues on inbound and outbound freight and logistics operations, having already identified and realised considerable savings and operational efficiencies.

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

Recognising the need to incorporate sustainability into an overall comprehensive reporting of non-financial information, GUD is developing a framework for sustainability strategy and reporting. The first step in developing, understanding and managing sustainability risk is to assess each business's major activities and then determine material issues with initial prioritisation.

Once the material risks are identified, the businesses will develop action plans and programs for monitoring and reporting.

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 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' have not changed in the past year; these are detailed below.

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

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

OPERATING AND FINANCIAL REVIEW

CONTINUED

Foreign Exchange Risk

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

The nature of this risk has not fundamentally changed over the 2014/15 year.

The significant foreign exchange exposures affecting GUD's businesses arise from purchases of goods in foreign currencies that are translated back to the functional currency of the relevant subsidiary, and has increased somewhat with the relocation of Dexion manufacturing from Australia to Malaysia.

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

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

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

Outlook

The full year contribution from the BWI acquisition coupled with further contributions from the various profit improvement plans and new product introductions at the established businesses should result in a substantial uplift in GUD's financial performance in the 2015/16 year. In addition, Dexion will enjoy the full year benefit from the 2014/15 manufacturing restructure and from further actions to improve performance in its Australian warehouse racking business unit.

All businesses with a product cost structure that is linked to the value of the Australian dollar relative to the US dollar have either implemented, or have planned, price increases to offset the effects of the recent devaluation.

Of the established businesses Dexion is expected to provide the most substantial profit uplift. This will come about due to a combination of those factors mentioned above along with further supply chain efficiency improvements and sales growth in Asia.

Sunbeam should contribute notable profit growth as it benefits from a full year's contribution from the Oster blender products launched in April 2015. In addition there are a number of products in Sunbeam's innovation pipeline that are scheduled for introduction during the year. All of these activities have had, and will continue to have, the effect of re-establishing Sunbeam's credibility as an innovator with both retail customers and consumers. Access to Jarden's broad product range will also allow Sunbeam to engage in tactical product programs to address particular opportunities as they arise.

The Ryco, Goss and Wesfil units in the Automotive business are focusing on optimising recent product introductions along with progressing breakthrough technology concepts. Ryco will focus on finetuning its heavy duty range and approach to market, while Goss will continue with developing its oxygen sensors product offering.

The Davey water products business has undergone an immense change program since the appointment of David Worley as CEO in June 2014. Davey has a structured profit improvement plan embracing procurement costs savings, further freight and logistics efficiency improvements and sales force effectiveness. All of these are expected to contribute to profit growth, as are new product introductions. The latter includes a number of new technology pumps for domestic and export markets along with a relaunched salt chlorinator for the European market.

The Oates cleaning products business should see profit growth from a combination of new product launches and procurement cost savings. Oates has recently embarked on its innovation journey and is expecting this activity to provide a number of potential breakthrough new product options during the course of the year.

In recent years GUD's smallest business, Lock Focus, has been devoted to a number of significant new product activities in conjunction with some of its major original equipment-manufacturing customers. It was expected that some of these would be commercialised in the 2014/15 year but that has not occurred. It is now expected that contributions from these should start to flow in 2015/16.

SUMMARY OF OPERATIONS

GUD MAINTAINS A PASSIONATE FOCUS ON NEW PRODUCT DEVELOPMENT AND INTRODUCTIONS. IT REINFORCED THIS FOCUS RECENTLY BY INTRODUCING A GROUP-WIDE INNOVATION INITIATIVE, WHICH SPANS ALL ITS BRANDS AND OPERATING COMPANIES. A FUNDAMENTAL COMPONENT OF THE APPROACH IS THE UNCOVERING AND APPLICATION OF CONSUMER AND USER INSIGHTS, PROVIDING POINTERS FOR NEW PRODUCT DEVELOPMENT DIRECTIONS.

Dexion
Sunbeam
Davey
Ryco
Wesfil
Goss
Oates
Lock Focus

SUMMARY OF OPERATIONS

CONTINUED



Products

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

Products

Small electrical appliances:

- Toasters, kettles
- Food preparation appliances
- Cooking appliances
- Irons and ironing boards
- Heated blankets
- Espresso machines

Products

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

Main markets and customer types

Australia, New Zealand, South East Asia, China, Middle East

Operators of industrial warehouses, Dexion Supply Centres, office equipment resellers, architects and interior designers

Main markets and customer types

Australia and New Zealand

Department stores, mass merchants and electrical specialists

Main markets and customer types

Australia, New Zealand and 40 international markets

Water specialists, rural merchants, pool builders, pool shops, spa manufacturers, tank manufacturers and international distributors

SIGNIFICANT EVENTS

- ➔ Completed relocation of Sydney racking products factory to Malaysia
- ➔ Completed transformation of Commercial business to a product design/sourcing/marketing/selling organisation
- ➔ Reported sales growth from large number of project completions

SIGNIFICANT EVENTS

- ➔ Placed into joint venture with Jarden Consumer Solutions
- ➔ Launched Oster brand blenders in quarter 4
- ➔ Reported consistent year-on-year sales growth in last five months

SIGNIFICANT EVENTS

- ➔ Active profit improvement program implemented and contributed to results through lower freight and logistics costs
- ➔ Sales momentum recovery in second half



Products

Aftermarket filtration and other service parts:

- Automotive oil, air, cabin air and fuel filters
- Transmission filters
- Agricultural and heavy duty filters
- Timing belts and kits
- Wiper blades
- Light globes
- Fuel pumps
- Ignition coils

Main markets and customer types

Australia and New Zealand

Automotive parts trade distributors, retailers and independent resellers

SIGNIFICANT EVENTS

- ➔ Ryco introduced motorcycle filter program
- ➔ Goss introduced oxygen sensors and ignition coils
- ➔ Wesfil added Exelite budget lighting range to its product offering



Products

Cleaning products and chemicals:

- Mops and buckets
- Brooms and brushes
- Cloths and wipes
- Commercial cleaning equipment
- Specialty cleaning chemicals

Main markets and customer types

Australia

Supermarkets, mass merchants and hardware outlet, industrial and commercial distributors

SIGNIFICANT EVENTS

- ➔ Strong sales in hardware and commercial/industrial segments
- ➔ Active product cost management contributed to margin retention



Products

Locking systems and other security products for:

- Garage doors and garden sheds
- Metal furniture products
- Caravans and utilities
- Doors and windows

Main markets and customer types

Australia, New Zealand and export markets

Original equipment manufacturers, locksmiths and security products distributors

SIGNIFICANT EVENTS

- ➔ Substantial new product activity delayed until FY16 due to customer timing

BOARD OF DIRECTORS

Left to right:
 Ross Herron
 Peter Hay
 Mark Smith
 Graeme Billings
 David Robinson
 Jonathan Ling
 Anne Templeman-Jones



The names of the Directors who held office during the financial year and details of their qualifications, experience and special responsibilities are as follows:



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.

He is also a Non-Executive Director of Select Harvests Limited (since January 2005), Insurance Manufacturers Australia Ltd and Kinetic Superannuation Fund. Mr Herron is a former Director of Heemskirk Consolidated Limited (retired February 2011) and Customers Limited (retired July 2012). Mr Herron is Immediate Past President and former Chairman of the Royal Automobile Club of Victoria (RACV) Ltd (retired December 2014).

P A F Hay* LLB FAICD (Retired 1 August 2015)

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

Mr Hay retired from the Board on 1 August 2015.

Mr Hay is currently Chairman of Newcrest Limited (appointed January 2014) and Chairman of Federation Centres Limited and Director of Federation Limited (appointed June 2015).

Mr Hay is a Director of the Australian Institute of Company Directors Ltd (appointed November 2012) 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), Alumina Limited (retired December 2013), Australia and New Zealand Banking Group Limited (retired April 2014) and Myer Holdings Limited (retired July 2014). He is former Chairman of the Advisory Board of Lazard in Australia (retired October 2013). He is former Director of Landcare Australia Limited and Epworth Foundation.

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). He is a former Non-Executive Director of Toll Holdings Limited (retired May 2015).

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

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

G A Billings* BCom FCA MAICD

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

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

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

Mr Billings was appointed as a Non-Executive Director of Korvest Limited on 7 May 2013, becoming Chairman on 18 September 2014. He was also appointed Non-Executive Director of Clover Corporation Limited on 14 May 2013.

D D Robinson*

Appointed Non-Executive Director on 20 December 2011.

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

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

J P Ling

Appointed Managing Director on 1 August 2013.

He is former Managing Director and CEO of Fletcher Buildings Limited (retired September 2012), a former Non-Executive Director of ASB Bank Ltd (retired February 2013) and a former Non-Executive Director of Pacific Brands Group Limited (retired February 2014).

Ms Anne Templeman-Jones* B. Comm., MRM, EMBA, CA, FAICD (Appointed 1 August 2015)

Ms Anne Templeman-Jones was appointed as an independent Non-Executive Director of the Company on 1 August 2015.

Ms Templeman-Jones is currently a Non-Executive Director of APN News & Media Limited, where she serves as Chair of the Audit and Risk Committee and a member of the Remuneration Committee, and a Non-Executive Director of Cuscal Limited, where she is Chair of the Risk Committee and a member of the Governance Committee and the Remuneration Committee. She is also Non-Executive Director of Pioneer Credit Limited and TAL Superannuation Fund.

Ms Templeman-Jones has considerable experience in institutional and commercial banking, wealth management and insurance, having previously held a number of senior executive roles within Westpac and ANZ.

A Chartered Accountant, Ms Templeman-Jones has a Bachelor of Commerce from UWA, an Executive MBA from AGSM and a Masters in Risk Management from the University of NSW. She is a Fellow of the Australian Institute of Company Directors and a member of Chartered Accountants Australia and New Zealand.

* All Non-Executive Directors are independent

EXECUTIVES

Left to right:
Martin Fraser
Malcolm Tyler
David Draycott
Karen Hope
David Birch
Paul O'Keefe
Terry Cooper
David Worley
Geoff Charnley
Bob Pattison
Guy Nicholls



M A Fraser B Bus, EMBA, GAICD, FCA

Chief Financial Officer

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

M G Tyler LLB BCom (Hons) MBA AGIA

Company Secretary

Mr Tyler is an associate of Governance Institute Australia, a former partner with Freehills and general counsel with Southcorp Limited. He has held a legal practising certificate in Victoria for 29 years.

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

General Manager Strategy & Planning

Mr Draycott has been with GUD for 18 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.

Sunbeam

K Hope EMBA

Chief Executive Officer

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

ED Oates

D Birch Dip. Bus. Studies (UK)

Chief Executive Officer

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

Dexion Group

P O'Keefe B Bus (Accounting), CPA

Chief Executive Officer

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

Wesfil

T Cooper

Managing Director

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

Davey Water Products

D Worley BCom, EMBA, GAICD

Chief Executive Officer

Mr Worley joined GUD in late May 2014 following 11 years at Fletcher Building in senior executive positions, including CE Fletcher Distribution, CE Laminex Group and CE Crane Group and prior to that held senior operational roles primarily in manufacturing and distribution industries.

Lock Focus

G Charnley BE (Mechanical Hons)

Chief Executive Officer

Mr Charnley has been with GUD since 2009. He previously worked at Mobil Oil, Amcor and Huyck Wangner in engineering, operations and general management roles. He has extensive experience in Asia involving customer contact, product sourcing and establishing manufacturing plants with companies creating technical products and solutions.

Brown & Watson International

B Pattison BB (Mkt) CPM AMI

Chief Executive Officer

Mr Pattison joined GUD as CEO of GUD Automotive in 2004. He has a wealth of experience in the automotive industry having held senior sales, marketing, and general management roles with Ford, International Harvester, Nissan and Calsonic. In 2013 he was appointed President of the Australian Automotive Aftermarket Association. On 1 July 2015 he was appointed CEO of the newly acquired Brown & Watson International.

GUD Automotive

G Nicholls Grad. Dip. BA, Dip. Sales & Marketing

Chief Executive Officer

Mr Nicholls has spent 25 years in the automotive industry, including sales management roles in the automotive aftermarket industry for Federal-Mogul and Disk Brakes Australia. He joined GUD in 2008 in the role of National Sales Manager and assumed the role of Chief Executive Officer in July 2015.

FINANCIAL SUMMARY AND RATIOS

	2011 \$ millions	2012 \$ millions	2013 \$ millions	2014 \$ millions	2015 \$ millions
Sales and Profitability					
Revenue	592.8	609.1	596.5	591.6	611.5
Segment Underlying EBIT					
Dexion			6.3	3.1	5.4
Sunbeam			9.1	1.5	7.3
Davey			8.3	8.8	9.5
Automotive			27.9	30.3	32.3
Oates			10.8	11.1	11.5
Lock Focus			0.8	0.9	0.8
Unallocated/Discontinued			(6.9)	(6.7)	(7.9)
Underlying EBIT* ^{a,b}	77.1	70.3	56.4	49.0	58.9
Underlying Profit Before Tax* ^{b,d}	68.2	61.2	51.2	42.7	51.4
Underlying Profit* ^b	49.0	44.1	37.4	31.0	37.0
Underlying Attributable Profit* ^{b,e}	49.0	44.1	37.4	31.0	34.9
Exceptional Items ^c	(12.3)	(1.1)	(7.7)	(19.0)	(1.7)
Profit Before Tax ^d	55.9	123.7	43.5	23.7	49.7
Profit	39.7	92.8	31.5	17.7	35.3
Attributable Profit ^e	39.7	92.8	31.5	17.7	33.2
Cash Flow					
Cash flows from Operating Activities ^f	67.8	56.9	51.5	29.6	30.1
Financial Position					
Current Assets	212.4	218.6	213.3	234.4	307.6
Current Liabilities	111.9	119.9	94.9	116.8	135.7
Net Debt ^g	102.1	17.4	64.9	98.4	(0.6)
Net Tangible Assets ^h	86.2	100.9	68.7	41.6	188.3
Total Equity	257.6	273.7	239.1	209.3	356.2
Per Share Performance					
Underlying Basic Earnings* ^k Per Share – cents	71.7	62.9	52.5	43.5	48.1
Basic Earnings Per Share – cents	58.1	132.3	44.2	24.8	46.0
Dividend declared per Share – cents	64.0	65.0	52.0	36.0	42.0
% Franked	100%	100%	100%	100%	100%
Payout Ratio ^j	89%	103%	99%	83%	87%
Share Statistics (at 30 June each year)					
Total Shares on Issue – millions	69.1	70.8	71.3	70.9	85.1
Closing Share Price \$	9.10	8.60	5.99	6.22	8.84
Market Capitalisation	628.7	608.9	427.3	441.2	752.1
Key Ratios					
Underlying EBIT*/Revenue	13.0%	11.5%	9.5%	8.3%	9.6%
Return* ^k on Capital Employed ^m	13.0%	15.1%	12.2%	10.1%	9.7%
Return* ^k on Equity	19.0%	16.1%	15.6%	14.8%	9.8%
Return* ^k on Assets	10.1%	10.8%	9.4%	7.4%	7.4%
Net Debt/Capital Employed ^m	28.4%	6.0%	21.3%	32.0%	(0.2)%
Net Debt/Market Capitalisation	16.2%	2.9%	15.2%	22.3%	(0.1)%
Working Capital ⁿ /Revenue	15%	15%	17%	17%	21.4%
Capital Expenditure/Depreciation and Amortisation	94%	113%	102%	114%	89%
Interest Cover – times* ^o	8.7	7.7	10.8	7.7	7.8

* Underlying results are used to reflect the underlying performance of GUD. We believe that underlying results provide useful information, but should not be considered an indication of, or an alternative to, attributable profit as an indicator of actual operating performance.

- Underlying EBIT is earnings before interest and tax.
- Adjusted for exceptional items.
- Exceptional items include acquisition, integration, restructuring and impairment costs.
- Excludes share of loss of equity accounted investees.
- Attributable profit is profit attributable to owners of the Company.
- Cash flows from operating activities are after taxation and before net interest.
- Net debt is calculated as total borrowings net of cash and cash equivalents.
- Net tangible assets is net assets less goodwill and other intangible assets.
- Calculated as dividend declared per share as a percentage of underlying earnings per share.
- Calculated using underlying attributable profit.
- Capital employed is total equity plus net debt.
- Working capital is receivables, inventories, other assets, payables and provisions.
- Calculated using Underlying EBIT.

A full description of GUD Group's performance, financial position, future prospects and reserves and resources is available in the Annual Report 2015, which is available from the GUD website at www.gud.com.au.

Directors

R M Herron, Chairman
J P Ling, Managing Director
P A Hay (retired 1 August 2015)
M G Smith
G A Billings
A Templeman-Jones
D D Robinson

Chief Financial Officer

M A Fraser

Company Secretary

M G Tyler

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KPMG
Chartered Accountants

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Davey Water Products (NZ)

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FINANCIAL CALENDAR



2015

September

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

October

Annual General Meeting – 27 October

2016

Late January

Announcement of results for the half-year
ending 31 December 2015
Announcement of dividend

February/March

Record date for interim dividend
Payment of interim dividend

June

End of Company's 2015/16 financial year

Late July

Preliminary announcement of results for
2015/16 financial year

Timing of events can be subject to change

