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

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Altona North, Vic 3025
Australia.

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Sunshine, Vic 3020
Australia.

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Internet: www.gud.com.au

19 September 2017

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

Dear Sir

In accordance with the Listing Rules, please find attached:

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

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

Yours faithfully,

Malcolm G Tyler
Company Secretary

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GUD Holdings Limited
ABN 99 004 400 891

Dear Shareholder,

On behalf of the Board of Directors, it is my pleasure to invite you to attend the Annual General Meeting of Shareholders of GUD Holdings Limited to be held at the RACV Club, Level 17, 501 Bourke Street, Melbourne on Thursday, 26 October 2017 at 10.00am (AEDT).

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

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

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

Yours sincerely,

Ross Herron
Chairman

GUD Holdings Limited

ACN 004 400 891

NOTICE OF ANNUAL GENERAL MEETING

The 2017 Annual General Meeting of GUD Holdings Limited (the Company) will be held at the RACV Club, Level 17, 501 Bourke Street, Melbourne on Thursday, 26 October 2017 at 10:00am (AEDT) to transact the following business. Registration will commence at 9:30am.

1. Financial statements and reports

To receive and consider the Financial Report of the Company and its controlled entities and the Reports of the Directors and Auditor for the year ended 30 June 2017.

Ordinary Business

2. Election of Director

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

2.1 Re-election of Mark Smith

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

2.2 Re-election of Graeme Billings

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

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

3. Remuneration Report

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

"That the Remuneration Report for the year ended 30 June 2017 (as set out in the Directors' Report on pages 21 to 34 of the 2017 Annual Report) be adopted."

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

(Note: The vote on this resolution is advisory only)

Special Business

4. Approval of LTI grant to Managing Director

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

"That approval is given for the grant of 52,190 Performance Rights to the Company's Managing Director, Mr Jonathan Ling, under the Long Term Incentive Equity Plan on the terms summarised in the Explanatory Notes to this Notice of Annual General Meeting."

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

5. Directors' Fees

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

"That in accordance with Rule 36 of the Company's Constitution, the maximum aggregate remuneration payable from the Company to non-executive directors of the Company for their services as directors including their service on a committee of directors be increased by $300,000 to a maximum sum of $1,300,000 per annum."

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

6. Renewal of Proportional takeover approval provisions

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

"That the Company renew the proportional takeover approval provisions contained in Rule 73 of the Company's constitution with effect from 1 December 2017 for a period of 3 years."

By order of the Board

Malcolm G Tyler

Company Secretary

Melbourne

18 September 2017

Information for shareholders

Attendance at the meeting

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

Voting

For the purposes of voting at the meeting, the Directors have determined that persons holding shares in GUD Holdings Limited registered as at 7.00pm (AEDT) on Tuesday 24 October 2017 will be treated as shareholders of the Company.

Appointment of proxies and corporate representatives

A proxy form accompanies this Notice of Annual General Meeting.

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

If a shareholder is a corporation, it can attend and vote at the meeting by appointing an individual person to act as its corporate representative or by appointing a proxy to attend and vote on its behalf. A shareholder that is a body corporate, or a proxy who is a body corporate, will need to ensure that it appoints an individual as its corporate representative to exercise its powers at the meeting and provides satisfactory evidence of the appointment of its corporate representative prior to commencement of the meeting.

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

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

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

Generally, the key management personnel (**KMP**) of the Company (which includes each of the Directors) and their closely related parties will not be able to vote your proxy on Items 3, 4 and 5 unless you have directed them how to vote. The circumstances in which KMP will be excluded from voting on Items 3, 4 and 5 are set out below under the heading 'Voting Exclusions'.

The term "closely related party" is defined in the Corporations Act and includes a KMP's spouse, dependant and certain other close family members, as well as any companies controlled by the KMP. If you intend to appoint a member of the KMP as your proxy, please ensure that you direct them how to vote on Items 3, 4 and 5. If you intend to appoint the Chairman of the meeting as your proxy, you can direct him how to vote on Items 3, 4 and 5 by marking the relevant boxes on the proxy form. However, if the Chairman of the meeting is your proxy (or becomes your proxy by default) and you do not mark any of the boxes opposite Items 3, 4 and 5, by signing and returning the proxy form you will be deemed to have expressly authorised the Chairman to vote as he decides.

To be valid, the proxy form, and any authority under which the form is signed, must be received by the Company or the Company's Share Registry prior to 10.00am (AEDT) on Tuesday 24 October 2017.

Vote online:

www.investorvote.com.au

By mail:

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

By hand:

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

Alternatively you can fax your form to:

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

For Intermediary Online subscribers only:

(custodians) www.intermediaryonline.com

For enquiries call:

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

Voting by attorney

A shareholder entitled to attend and vote may appoint an attorney to act on his or her behalf at the meeting. An attorney may, but need not, be a shareholder of the Company.

An attorney may not vote at the meeting unless the instrument appointing the attorney, and the authority under which the instrument is signed or a certified copy of the authority, are received by the Company in the same manner, and by the same time, as outlined above for proxy forms.

Voting Exclusions

***Item 3* – Remuneration Report**

The Company will disregard any votes cast on Item 3:

- by or on behalf of a member of the KMP named in the Remuneration Report for the year ended 30 June 2017 or that KMP's closely related party (regardless of the capacity in which the vote is cast); or
- as a proxy by a member of the KMP at the date of the meeting or their closely related party,

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

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

***Item 4* – Approval of LTI grant to Managing Director**

The Company will disregard any votes cast on Item 4:

- by or on behalf of the Managing Director (being the only Director entitled to participate in the employee incentive scheme) and any of his associates (regardless of the capacity in which the vote is cast); or
- as a proxy by a member of the KMP of the Company at the date of the meeting or their closely related parties,

unless the vote is cast as proxy for a person entitled to vote on Item 4:

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

***Item 5* – Directors' Fees**

The Company will disregard any votes cast on Item 5:

- by or on behalf of a Director of the Company or their associates (regardless of the capacity in which the vote is cast); or
- as a proxy by a member of the KMP at the date of the meeting or their closely related party,

unless the vote is cast as proxy for a person entitled to vote on Item 5:

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

Reviewing the Annual Report

A copy of the 2017 GUD Annual Report is available online at the Company's website www.gud.com.au.

Share Registry

Computershare Investor Services Pty Limited

GPO Box 242

Melbourne Victoria 3001 Australia

Yarra Falls, 452 Johnston Street

Abbotsford Victoria 3067 Australia

Enquiries within Australia – 1300 850 505

Enquiries outside Australia - +61 3 9415 4000

Website – www.investorcentre.com

EXPLANATORY NOTES

These Explanatory Notes form part of the Notice of Annual General Meeting and provide shareholders with information to understand the items of business and to assess the merits of the proposed resolutions at the forthcoming Annual General Meeting.

Item 1 – Financial statements and reports

The financial statements of the Company and its controlled entities for the year ended 30 June 2017 and the Directors' Report and Auditor's Report are set out in the GUD Holdings Limited Annual Report 2017.

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

This item is intended to provide an opportunity for shareholders to raise questions on the management of the Company, the Reports and on the performance of the Company generally. In addition, a reasonable opportunity will be given to shareholders at the meeting to ask the Company's Auditor questions relevant to the conduct of the audit, the preparation and content of the auditor's report, the accounting policies adopted by the Company in relation to the preparation of the financial statements and the independence of the auditor in relation to the conduct of the audit.

Shareholders can access a copy of the annual report on the Company's website (www.gud.com.au).

Item 2 – Election of Directors

2.1 Re-election of Mr Mark Smith

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

Appointed Non-Executive Director on 26 May 2009. Mr Smith is a member of the Company's Audit, Risk & Compliance Committee, Remuneration Committee and Nominations Committee.

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

Mr Smith is a former Non-Executive Director and Chairman of Patties Foods Limited (retired September 2016). He is a former Non-Executive Director of Toll Holdings Limited (retired May 2015), and a former Chairman of Food Holdings Limited (retired August 2011).

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

The Board considers Mr Smith to be independent.

Board Recommendation

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

2.2 Re-election of Mr Graeme Billings

Graeme A Billings ***B Com FCA MAICD***

Appointed Non-Executive Director on 20 December 2011 and Chairman of the Audit, Risk & Compliance Committee on 1 January 2012. Mr Billings is also a member of the Company's Remuneration Committee and Nominations Committee.

Mr Billings retired from PricewaterhouseCoopers in 2011 after 34 years, where he was head of the Melbourne Assurance practice as well as heading the firm's Australian and Global Industrial Products business.

Mr Billings was appointed Chairman of Korvest Limited in September 2014 and appointed Chairman of Azure Healthcare Ltd on 21 October 2015. He was appointed a Non Executive Director of Clover Corporation Limited on 20 May 2013, a Non-Executive Director of Escala Partners Limited on 9 March 2016 and a Non-Executive Director of DomaCom Limited on 7 November 2016.

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

The Board considers Mr Billings to be independent.

Board Recommendation

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

Item 3 – Remuneration Report

The Corporations Act requires a non-binding resolution to be put to shareholders for the adoption of the Remuneration Report. The Remuneration Report is set out on pages 21 to 34 of the GUD Holdings Limited Annual Directors' Report for the year ended 30 June 2017 lodged with the ASX on 27 July 2017, and is also available from the Company's website (www.gud.com.au).

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

The Remuneration Report provides information about:

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

As outlined in the Remuneration Report, the Company's remuneration strategy is designed to attract, retain and motivate appropriately qualified and experienced Directors and senior executives and to ensure that the Company is well positioned to deliver reasonable and market competitive rewards in a way that supports a clear performance focus and is aligned with the long-term goals of the Company.

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

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

Our approach is to set the 'at risk' components of executives' remuneration relative to fixed remuneration, at around 40% of total remuneration 'at risk' (i.e. comprised of STI and LTI).

Shareholders will be given a reasonable opportunity at the meeting to ask questions about, and make comments on, the Remuneration Report and the Company's remuneration arrangements.

The Board believes that the Company's remuneration arrangements, as set out in the 2017 Remuneration Report, are fair, reasonable and appropriate and support the strategic direction of the Company.

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

Board Recommendation

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

Item 4 - Approval of LTI grant to Managing Director

In accordance with ASX Listing Rule 10.14, shareholder approval is sought for the proposed grant of 52,190 Performance Rights to the Managing Director, Mr Jonathan Ling under the Long Term Incentive Equity Plan ('Plan') and on the terms set out below.

Details of proposed grant

The proposed grant of Performance Rights to the Managing Director is his LTI opportunity for the 2017/2018 financial year and is intended to align Mr Ling's interests with the interests of shareholders and encourage the achievement of the Company's performance goals and growth of the Company's business. The Performance Rights will be subject to a three year performance period and will vest only if the performance conditions are fulfilled.

A brief overview of the details of the proposed grant is set out below. A summary of the operation of the Plan is set out in the Remuneration Report on page 24 of the Annual Report.

Subject to shareholder approval, Mr Ling will be granted a maximum of 52,190 Performance Rights. This number was calculated by applying the formula:

= TFR x 60% / VWAP, where

TFR is the Total Fixed Remuneration of the Managing Director to be received in FY18, namely $1,133,000.

VWAP is the volume weighted average price of GUD shares calculated over the 21 trading days in June 2017 immediately prior to the commencement of the three year performance measurement period, in this case $13.0256.

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

As the Performance Rights form part of the Managing Director's remuneration package, they will be granted at no cost to him. No exercise price will be payable by the Managing Director upon exercise of any vested Performance Rights. Further details of the Managing Director's remuneration package are set out in the 2017 Remuneration Report.

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

Performance conditions

The performance conditions will be measured over a three year period commencing at the beginning of the relevant financial year (ie 1 July 2017). Vesting will be determined by measuring the Company's Total Shareholder Return (**TSR**) relative to a comparator group following 30 June 2020.

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

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

The proportion of the Performance Rights that vest will be as follows:

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

Trading restrictions

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

Cessation of employment

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

In accordance with the Plan, in circumstances including death, disability, resignation, retirement, redundancy or termination by the Company for convenience, Mr Ling may become entitled to retain a pro rata number of Performance Rights reflecting that part of the performance period elapsed at the time of ceasing employment. Vesting of that pro-rata number of Performance Rights, and any issue of shares to Mr Ling, will depend upon the extent to which the applicable performance conditions are satisfied at the end of the performance period.

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

- Mr Ling is the only Director of the Company entitled to participate in the Plan. No associate of any of the Directors is entitled to participate in the Plan.
- There is no loan scheme in relation to the Plan.
- Following shareholder approval at the 2016 AGM in October 2016, Mr Ling received a grant of 74,509 Performance Rights under the Plan at no cost to him. Aside from that grant, no securities have been received by any Director or any associate of a Director under the Plan since last shareholder approval was received.
- If approval is given for the issue of securities under ASX Listing Rule 10.14, approval is not required under ASX Listing Rule 7.1.

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

Board Recommendation

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

Item 5 – Directors' Fees

In accordance with Rule 36 of the Company's Constitution and ASX Listing Rule 10.17, approval is being sought from shareholders to increase the maximum aggregate amount available for non-executive Directors' fees by $300,000 from $1,000,000 to $1,300,000 per year. The current maximum aggregate amount of $1,000,000 was approved by shareholders at the Annual General Meeting on 31 October 2013.

Notwithstanding rule 36 of the Constitution, the increased cap will be inclusive of superannuation. The payments included and excluded from the increased cap will otherwise be as set out in rule 36 of the Constitution.

Fees paid to Directors out of the maximum aggregate amount approved by shareholders are reviewed periodically to ensure that they are appropriate. Details of fees paid to non-executive Directors in the 2016/2017 financial year are provided in the Remuneration Report at pages 21 to 34 of the 2017 Annual Report. No securities have been issued to any of the Company's non-executive Directors under ASX Listing Rules 10.11 or 10.14 at any time within the last three years.

The proposed maximum aggregate amount will provide flexibility to allow for payment of appropriate fees over time, taking into account the increasing time and responsibilities required of non-executive Directors generally and in particular with regard to:

- Increasing corporate governance complexity and other compliance requirements; and
- The changing complexity and scope of the Company's strategies and businesses.

The proposed increase in the maximum aggregate amount will ensure that fees can be set at a sufficiently competitive rate to attract and retain non-executive Directors of the necessary qualifications and calibre to address the significant strategic and operational challenges for the Company as it pursues its growth strategy.

The Company's Constitution allows for a maximum of 10 Directors and the current number of Directors is 6, of which 5 are non-executive Directors. The Board intends to make further non-executive Director appointments as part of an active Board renewal and succession planning process, which will ensure that the Company's interests are best served in the next period of growth. The proposed new maximum aggregate amount will accommodate an increase in the number of Directors as a result of the intended appointment of other non-executive Directors in the short to medium term and other fee adjustments that may be required.

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

Board Recommendation

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

Item 6 – Renewal of Proportional takeover approval provisions

The Corporations Act permits a company to include in its constitution a provision which enables the company to refuse to register a transfer of shares acquired under a proportional takeover bid unless a resolution is first passed by shareholders approving the bid. These provisions must be renewed every three years or they will cease to have effect.

Rule 73 of the Company's constitution currently contains provisions dealing with proportional takeover bids for GUD shares in accordance with the Corporations Act. The proportional takeover approval provisions in the Company's constitution were last renewed with the approval of shareholders at the 2014 AGM for a period of 3 years with effect on and from 1 December 2014. Accordingly, the provision will cease to operate from 30 November 2017 unless renewed by the proposed special resolution.

If these provisions are renewed by shareholders at the meeting, they will be in exactly the same terms as the existing provisions and will operate for a further three years.

A copy of the Company's current Constitution is available on the Company's website (www.gud.com.au).

Proportional takeover bid

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

Effect of Rule 73 provisions on a proportional takeover bid

- If a proportional takeover bid is made for the Company, the Directors must ensure that shareholders vote on a resolution to approve the bid at a meeting held more than 14 days before the bid closes.
- Each person who, as at the end of the day on which the first offer under the bid was made, held bid class securities is entitled to vote. The vote is decided on a simple majority. The bidder and its associates are not allowed to vote.
- If the resolution to approve the bid is passed, transfers pursuant to the bid may be registered, but, if the resolution is lost, the bid is taken to be withdrawn. If the resolution is not voted on, the bid is taken to have been approved.
- Under current requirements of the Corporations Act, the new provisions would only apply for 3 years, unless renewed by a further special resolution in a general meeting.
- The provision does not affect a full takeover bid.

No knowledge of any acquisition proposals

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

Reasons for and potential advantages and disadvantages of Rule 73

The Directors consider that the renewal of the proportional takeover approval provisions has no potential advantages or disadvantages for them personally.

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

- Shareholders should be able to vote on whether a proportional bid should proceed;
- It may help shareholders avoid being locked in as a minority and may prevent a bidder acquiring control of the Company without paying a satisfactory control premium for their shares;
- It increases shareholders' bargaining power and may assist in ensuring that any proportional takeover bid is adequately priced;
- The right to vote on a proportional bid may also avoid a situation arising where shareholders feel pressured to accept the bid even if they do not want it to succeed;
- Shareholders have the opportunity to ascertain the views of other shareholders which may help each individual shareholder assess the likely outcome of the proportional takeover bid and to decide whether to accept or reject that offer; and
- The provision is likely to influence an intending bidder to structure its offer in a way which is attractive to a majority of shareholders.

The *potential disadvantages* for shareholders of Rule 73 include:

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

The Directors do not believe the possible disadvantages outweigh the advantages of the proportional takeover provisions operating for the next three years. In particular, shareholders as a whole are able to decide whether or not a proportional takeover bid is successful.

Review of proportional takeover provisions

Whilst similar takeover approval provisions have been in effect under the Company's constitution, there have been no full or proportional takeover offers for the Company.

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

Board Recommendation

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

GUD Holdings Limited

ABN 99 004 400 891

Lodge your proxy:

Online:
www.investorvote.com.au

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

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

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

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

Proxy Form

Vote and view the annual report online

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

Your access information that you will need to proxy vote:

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

For your proxy vote to be effective it must be received by 10:00am (AEDT) on Tuesday, 24 October 2017

How to Vote on Items of Business

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

Appointment of Proxy

Appointment of proxy: If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1.

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose, subject to any voting restrictions that apply to the proxy (see below). If you mark more than one box on an item your vote will be invalid on that item.

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

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

A proxy need not be a securityholder of the Company.

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

Proxy voting by key management personnel: The key management personnel of the Company and their closely related parties will not be able to vote your proxy on Items 3, 4 and 5, Mr Jonathan Ling and his associates will not be able to vote your proxy on Item 4, and the Directors and their associates will not be able to vote your proxy on Item 5, unless you direct them how to vote. If you intend to appoint such a person as your proxy, please ensure that you direct them how to vote on these items.

If you intend to appoint the Chairman of the Meeting as your proxy, you can direct him how to vote by marking the boxes for Items 3, 4 and 5. However, if the Chairman of the Meeting is your proxy and you do not mark any of the boxes opposite these items, he will still be able to exercise your proxy as you will be deemed to have expressly authorised him to do so by completing and returning this form.

Signing Instructions for Postal Forms

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

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

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

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

Attending the Meeting

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

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

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

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

Proxy Form

Please mark ☒ to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of GUD Holdings Limited hereby appoint

☐ **the Chairman of the Meeting** **OR** ______________________

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s). To nominate two proxies, write both names and the percentage of your holding they are to represent in this box.

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of GUD Holdings Limited to be held at the RACV Club, Level 17, 501 Bourke Street, Melbourne on Thursday, 26 October 2017 at 10.00am (AEDT) and at any adjournment or postponement of that meeting.

IMPORTANT NOTE:
Chairman authorised to exercise proxies on remuneration related resolutions (Items 3, 4 and 5): By signing and returning this form, where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman of the Meeting becomes my/our proxy by default), I/we expressly authorise the Chairman of the Meeting to exercise my/our proxy in respect of Items 3, 4 and 5 (except where I/we have indicated a different voting intention below) and acknowledge that the Chairman of the Meeting may exercise my/our proxy as the Chairman thinks fit even though Items 3, 4 and 5 are connected directly or indirectly with the remuneration of a member of key management personnel.

STEP 2 Items of Business

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

ORDINARY BUSINESS

		For	Against	Abstain
Item 2.1	Re-election of Mark Smith	☐	☐	☐
Item 2.2	Re-election of Graeme Billings	☐	☐	☐
Item 3	Remuneration Report	☐	☐	☐

SPECIAL BUSINESS

		For	Against	Abstain
Item 4	Approval of LTI grant to Managing Director	☐	☐	☐
Item 5	Directors' Fees	☐	☐	☐
Item 6	Renewal of Proportional takeover approval provisions	☐	☐	☐

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

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

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

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

GUD Holdings Limited
ABN 99 004 400 891

Questions from Shareholders

The Annual General Meeting (AGM) of GUD Holdings Limited will be held at the RACV Club, Level 17, 501 Bourke Street, Melbourne on Thursday, 26 October 2017 at 10.00am (AEDT). Shareholders are invited to register questions in advance of the AGM.

Your questions regarding any matter relating to GUD that may be relevant to the 2017 Annual General Meeting are important to us.

We invite you to use this form to submit any questions. Please return it by facsimile to (613) 9243 3300. Alternatively, you can email your questions to investors@gud.com.au.

We will attempt to respond to as many of the more frequently asked questions as possible in the Chairman's and Managing Director's addresses at the 2017 Annual General Meeting. Due to the large number of questions we receive, we will not be replying on an individual basis.

You will also be able to listen to the addresses made at the 2017 Annual General Meeting within 2 days after the meeting at http://www.gud.com.au/webcasts.

Shareholder's Name

Securityholder Reference Number (SRN)

Holder Identification Number (HIN)

Question/s

Please tick ☑ if it is a question directed to the Auditor

1. ☐

2. ☐

3. ☐

4. ☐

5. ☐

Annual Report

GUD Holdings Limited

(ABN 99 004 400 891)

Year Ended 30 June 2017

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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 2017.

Directors

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

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). He was formerly Non-Executive Director of Insurance Manufacturers Australia Ltd (retired January 2017) and Kinetic Superannuation Fund (retired February 2017). Mr Herron is Immediate Past President and former Chairman of the Royal Automobile Club of Victoria (RACV) Ltd (retired December 2014).

Mr Herron was appointed to the Board of the Judicial Commission of Victoria effective February 2017.

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

Appointed Non-Executive Director on 1 August 2015.

Ms Templeman-Jones is currently the Chair of CBA Wealth Advice subsidiary licensee companies; a Non-Executive Director of HT & E Limited (formerly APN News & Media Limited), where she serves as Chair of the Audit and Risk Committee, and a Non-Executive Director of Cuscal Limited, where she is Chair of the Risk Committee. Anne previously served as a Non-Executive Director of Pioneer Credit Limited (retired November 2016), Notre Dame University (retired December 2016) and HBF Health Limited (retired October 2014).

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

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

Appointed Non-Executive Director on 26 May 2009.

Mr Smith is a former Non-Executive Director and Chairman of Patties Foods Limited (retired September 2016). He is a former Non-Executive Director of Toll Holdings Limited (retired May 2015), and a former Chairman of Food Holdings Limited (retired August 2011).

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

G A Billings* ***BCom FCA MAICD***

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

Mr Billings retired from PricewaterhouseCoopers in 2011 after 34 years, where he was head of the Melbourne Assurance practice as well as heading the firm's Australian and Global Industrial Products business.

Mr Billings was appointed Chairman of Korvest Limited in September 2014 and appointed Chairman of Azure Healthcare Ltd on 21 October 2015. He was appointed a Non-Executive Director of Clover Corporation Limited on 20 May 2013, a Non-Executive Director of Escala Partners Limited on 9 March 2016 and a Non-Executive Director of DomaCom Limited on 7 November 2016.

D D Robinson* ***BSc MSc***

Appointed Non-Executive Director on 20 December 2011.

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

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

J P Ling ***BEng MBA FAICD***

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

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

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

* All Non-Executive Directors are independent.

Corporate executives

Chief Financial Officer

M A Fraser ***B Bus, EMBA, GAICD, FCA***

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

Company Secretary

M G Tyler ***LLB BCom (Hons) MBA AGIA***

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 practicing certificate in Victoria for 31 years.

General Manager Strategy & Planning

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

Mr Draycott joined GUD in June 1997 as Corporate Development Manager.

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.

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, Risk & Compliance Committee		Remuneration Committee		Nominations Committee	
Directors	Held	Attended	Held	Attended	Held	Attended	Held	Attended
R M Herron	9	9	4	4	5	5	1	1
A L Templeman-Jones	9	9	4	4	5	5	1	1
M G Smith	9	9	4	4	5	5	1	1
G A Billings	9	9	4	4	5	5	1	1
D D Robinson	9	9	4	4	5	5	1	1
J P Ling [1]	9	9	-	-	-	-	-	-

1 Jonathan Ling attends committee meetings by invitation.

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

Directors' interests and benefits

Directors are not required to hold any shares in the Company. Nevertheless, Directors do hold shares. The current shareholdings are shown in the table below.

	Shares held beneficially			
Directors	Own name	Private company / trust	Total 30 June 2017	Total 30 June 2016
R M Herron	10,768	34,455	45,223	45,223
A L Templeman-Jones	540	4,502	5,042	3,292
M G Smith	-	35,373	35,373	30,373
G A Billings	-	11,250	11,250	11,250
D D Robinson	-	13,000	13,000	13,000
J P Ling	189,745	26,528	216,273	143,422

Corporate Governance Statement

The Corporate Governance Statement of the Directors, and the accompanying Appendix 4G, is separately lodged with ASX, and forms part of this Directors' Report. It may also be found on the Company's website at www.gud.com.au.

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 7-20, there were no significant changes in the nature of the activities of the consolidated entity during the year.

Operating and Financial Review

The Operating and Financial Review for the consolidated entity during the financial year forms part of this Directors' Report.

Significant Changes

Acquisitions

The following acquisitions were completed during the year ended 30 June 2017 and are expected to provide the Group with an expanded presence in automotive aftermarket parts.

GEL ANZ

On 1 October 2016, subsidiaries of the Company acquired the net assets of Griffiths Equipment Limited ("GEL NZ") and 100% of the shares and voting interests of Griffiths Equipment Pty Ltd ("GEL Aust") with businesses in New Zealand and Australia, respectively. The total estimated consideration for GEL NZ and GEL Aust (collectively "GEL ANZ") is $9.117 million.

Consideration of $7.323 million has been paid.

The Company has also agreed to pay the selling shareholders contingent consideration based on the consolidated earnings of GEL ANZ for the period from 1 October 2016 to 30 September 2017. Management estimated the present value of the contingent consideration at acquisition to be $1.794 million. During the year ended 30 June 2017, contingent consideration was revalued to $1.952 million and therefore $158,000 was recognised as unwinding of discount and recorded in net finance costs.

During the period ended 30 June 2017, the Company incurred approximately $93,000 of acquisition related costs including legal fees, due diligence and other advisory fees. This amount has been included in administrative expenses.

IMG

On 1 June 2017, a subsidiary of the Company acquired 100% of the shares in Innovative Mechatronics Group Pty Ltd ("IMG") with business in Australia. The total estimated consideration for IMG is $10.247 million.

Initial consideration of $6.124 million was paid by 1 June 2017. Subsequent to acquisition an additional inventory amount of $271,000 less a net cash adjustment of $99,000 was calculated, giving rise to an increase in the consideration payable of $172,000.

The Company has also agreed to pay the selling shareholders contingent consideration based on the earnings of IMG for the period from 1 July 2017 to 30 June 2020. Management estimated the present value of the contingent consideration at 30 June 2017 to be $3.951 million.

During the period ended 30 June 2017, the Company incurred approximately $99,000 of acquisition related costs including legal fees, due diligence and other advisory fees. This amount has been included in administrative expenses.

Disposals

Sunbeam

Effective 1 July 2016, the Company disposed of:

- Its remaining 51% shareholding in Sunbeam Australia and New Zealand ("Sunbeam ANZ"), comprising Sunbeam Corporation Limited and Sunbeam NZ Corporation Limited, to Holmes Products (Far East) Limited ("HPFE"), a subsidiary of Jarden Corporation. The Company therefore ceased control and has de-consolidated Sunbeam ANZ from 1 July 2016.
- Its 49% shareholding in Jarden Consumer Solutions (Asia) Limited ("Jarden Asia") to HPFE.

In respect of the sale of 51% of Sunbeam ANZ, consideration comprised:

- An initial cash deposit of $29.522 million received by the Company on 1 July 2016; and
- Completion consideration received of $1.006 million based on its fair value at disposal date and representing the balance of the proceeds on sale.

In respect of the sale of 49% of Jarden Asia, consideration comprised cash of $3.993 million received by the Company on 1 July 2016.

Lock Focus

On 1 December 2016, the Company disposed of the business of its subsidiary, Lock Focus Pty Ltd ("Lock Focus") for a total consideration of $4.92 million which was received on 30 November 2016.

During the year ended 30 June 2017, the Company incurred approximately $228,000 of disposal related costs including legal fees, due diligence and other advisory fees, all of which have been included in administrative expenses.

Dexion

On 1 June 2017, the Company disposed of the shares of its subsidiary, Dexion (Australia) Pty Ltd ("Dexion") to Tech-Link Storage Engineering Pte Ltd ("Tech-Link"). The total estimated consideration for Dexion is $12.166 million.

For the year ended 30 June 2017, Dexion contributed $141.7 million of revenue and $54.207 million of EBIT loss to the Group's results.

By 31 May 2017 consideration of $9.5 million had been received The Company estimates an additional cash consideration of $2.666 million based on cash and debt balances as at 31 May 2017. The Company expects this to be received by 30 September 2017.

During the year ended 30 June 2017, the Company incurred approximately $2.829 million of disposal related costs including employee incentives, legal fees, due diligence and other advisory fees, all of which have been included in administrative expenses.

Share Capital

At 30 June 2017, there were 85,739,547 (2016: 85,327,114) ordinary shares on issue.

Dividends

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

- A final ordinary dividend of 23 cents per share in respect of the year ended 30 June 2016 was declared on 28 July 2016, and paid on 2 September 2016 amounting to $19,707,455. This dividend was fully franked.
- An interim ordinary dividend of 21 cents per share in relation to the half year ended 31 December 2016 was declared on 1 February 2017 and paid on 3 March 2017, amounting to $18,005,305. This dividend was fully franked.
- A final ordinary dividend of 25 cents per share in respect of the year ended 30 June 2017 was determined on 27 July 2017, and is payable on 1 September 2017 to shareholders registered on 18 August 2017. This dividend will be fully franked. Shares will trade ex-dividend on 17 August 2017. The GUD Dividend Reinvestment Plan remains suspended for this dividend.

Auditor Independence

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

The auditor's independence declaration made under section 307C of the Corporations Act 2001 is set out on page 98 of the accompanying Financial Statements and forms part of this Report.

Non-Audit Services

Details of the amounts paid or payable to the Company's auditors, KPMG, for non-audit services provided during the year are shown in Note 6 to the financial statements, which accompany this Directors' Report.

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

Options and rights

During the year a total of 461,759 Performance Rights were granted to executives under the GUD Holdings 2019 Long Term Incentive Equity Plan. This included 74,509 Performance Rights granted to the Managing Director in October 2016 after receiving approval of shareholders at the 2016 Annual General Meeting. In addition, as a result of executives departing the Group during the year, a total of 89,841 Performance Rights were determined by the Board to have lapsed.

As a result of meeting TSR targets, 446,151 performance rights granted in August 2014 vested and no performance rights lapsed in relation to the GUD Holdings 2017 Long Term Incentive Equity Plan.

Except as above, 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.

Details of the Performance Rights granted to key management personnel are included in the Remuneration Report, which forms part of this Directors' 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.

Environmental Regulation

Some of the consolidated entity's activities are subject to various environmental regulations under both Commonwealth and State legislation. The Directors are not aware of any breaches of those environmental regulations during the financial year. The consolidated entity endorses an Environmental Policy of compliance and open communication on environmental issues.

Proceedings on behalf of the Company

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

Indemnity and Insurance

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

The Company has also agreed to indemnify the current Directors of its subsidiaries, the Company Secretary and certain 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, 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, which forms part of this Directors' Report, and in summary in Note 37 to the financial statements.

Rounding Off

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and, in accordance with that Rounding Instrument, amounts in this Report and the accompanying financial statements have been rounded off to the nearest one thousand dollars unless otherwise stated.

Significant Events after Year End

In the opinion of the Directors, no matters or circumstances have arisen since the end of the year which significantly affected or may affect the operations of the consolidated entity which have not been outlined in this report.

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

R M Herron	J P Ling
Chairman of Directors	Managing Director

Dated at Melbourne, 27 July 2017

Operating and Financial Review

Overview

Following the pivotal change to the shape of GUD's business portfolio in 2015-16 with the acquisition of Brown & Watson International, the 2016-17 year was characterised by further noteworthy portfolio activities.

These include the disposal of the Group's remaining interests in the Sunbeam businesses (which was described in detail in last year's Operating and Financial Review), sale of the Lock Focus security business (November 2016) and the Dexion warehouse racking and systems business (June 2017) and two relatively small automotive acquisitions – Griffiths Equipment (October 2016) and Innovative Mechatronics Group (June 2017).

The rationale behind each of these portfolio defining activities, along with the details of each transaction, are described more fully in the following Strategy Review – Portfolio Management section of this Review.

It is important to appreciate that the overarching objectives for these activities have been twofold:

1. To remove businesses from the portfolio that have been underperforming and for which GUD is not the natural owner and is not in the best position to optimise performance, and
2. To bolster GUD's automotive investments, as the aftermarket provides a more stable, predictable and growing profit stream for the creation of value.

While the effort at the GUD Holdings level has been on the portfolio reshaping, through this period all GUD's businesses have focused on improving their cost bases, particularly around cost-to-serve, and on growing revenues through increasing share-of-wallet programs. The emphasis more recently has changed to a major push on product and service innovation and on embedding an innovation culture in every business.

The formative activities for this commenced in the 2014-15 year and in the ensuing period GUD has embarked on a far-reaching innovation capability-building program, which was detailed in last year's Operating and Financial Review. This does not signal that the focus on costs is being ignored; indeed, in the industries and sectors in which GUD operates a strong cost management culture is mandatory to ensuring long term survival.

However, a business can only cut costs so far and, ultimately, the true measure of success is the speed at which the business can grow its sales through innovating products and services to meet the changing needs of diverse consumer and end user cohorts. Hence the change in emphasis to generating sales and profit growth through introducing breakthrough products and services.

Three businesses – GUD Automotive, Davey and Oates – are well progressed with their initial innovation missions. Davey, especially, has introduced several products over the 2016-17 financial year that have transited through GUD's innovation process. More details of these activities are provided in the Innovation and Product Development Section of this Review.

As noted last year, the portfolio activities that commenced then and that flowed through into 2016-17, marked the first major steps in framing the structure of the GUD of the future. The portfolio activities of 2016-17 continued in the same vein and have now led to the Group being positioned with most of its profitability in the automotive aftermarket, a sector that enjoys steady annual growth, due to the growing number of vehicles on the road and the need to service, enhance and customise those vehicles.

In addition, each of GUD's automotive businesses enjoys a strong and unique market position, with market-leading brands enjoying high brand equity and a healthy track record of both product and service innovation.

The stable and sizeable profit streams and cash flows from the automotive businesses, coupled with the contributions from the Davey water products and the Oates janitorial products businesses, provide GUD with the strategic flexibility to pursue future portfolio options both within the automotive sector and outside of it, where appropriate.

Following these recent actions, GUD is now a more streamlined, focused portfolio of activities and is well positioned to become the innovation leader in its respective sectors and segments.

Financial Performance Review

Prior to commenting on financial performance for the 2016-17 year it is important to note that, following the sale of the Lock Focus and Dexion businesses during the year, the relevant accounts for both the current and previous financial years have been restated to show these businesses as discontinued operations. GUD's businesses that remain classified as continuing operations include all the automotive businesses, Davey and Oates.

The Sunbeam small appliances businesses, the remaining interests in which were sold on 1st July 2016, was previously classified as a discontinued operation.

Revenue

Revenue from the continuing operations increased 4% on the prior year's level with growth recorded in all automotive businesses totalling 11% across the year. Both Davey and Oates reported small declines in revenue, the reasons for which are outlined below.

Total Group revenue declined 19% to $573 million from $710 million in the prior year. The major factors behind this reduction were the absence of Sunbeam revenue in 2016-17 due to its sale and a reduction in Dexion revenues stemming from reduced activity in the major warehouse projects market segment. The sale of Lock Focus in December 2016 also led to seven months without a revenue contribution from this business, albeit relatively minor compared to the Sunbeam and Dexion components.

The primary features of the continuing revenue trends in the year are detailed hereunder.

1. The combined automotive businesses reported double digit revenue growth, over the prior year with all business units contributing. The automotive acquisitions made during the year - Griffiths Equipment (GEL) and IM Group (IMG) - provided additional growth at the levels expected at the time of the respective purchases. GEL provided nine months of revenue, while IMG was acquired late in the year and contributed one month's revenue.

   Price increases applied early in the financial year to offset the higher cost of product from offshore suppliers partly underpinned the revenue performance in each automotive business unit.

   In addition, there were also some specific initiatives taken to expand each business unit's revenue including:

   - The continuation of Ryco's successful customer acquisition program, whereby automotive workshops are converted to using the market leading Ryco brand of automotive filters in preference to alternative offerings.
   - New product introductions in the Ryco brand including the Ryco FireGuardian range of air filters designed to meet the very specific needs of customers in the emergency fire services market segment.
   - Ryco added to its range of tools designed for professional mechanics by developing and introducing the Ryco Flexible Funnel tool which makes the job of draining oil filters much simpler, less messy and, hence, more environmentally sympathetic.
   - Wesfil introduced a range of replacement spark plug products to its independent reseller customer base late in the first half, thereby further expanding its product range to meet the needs of this unique market.
   - Brown & Watson (BWI) recorded the highest revenue growth over the prior year as a consequence of several factors. These include the full annual effect of new products introduced concurrently with the 2016 Narva brand catalogue publication, targeted growth in niche market segments, such as the emergency services lighting market, and the contribution from new products launched in the 2016-17 year.
   - The introduction of the next Projecta brand catalogue by BWI at the April 2017 Australian Automotive Aftermarket Association Show in Melbourne. Like its Narva equivalent, the catalogue provides the platform to introduce numerous new products in the brand, the full financial effect of which will not be seen until the 2017-18 year.

2. After reporting a return to revenue growth in 2015-16, Davey's sales declined marginally in the year under review. The primary factor behind this decline was the state of demand in the Australian water products market which led to reduced revenues in most market segments. Empirical market data is non-existent in the sectors in which Davey operates but anecdotal evidence from the industry, including from adjacent and complementary product markets, would suggest that demand has been subdued.

Davey also reported a slightly lower level of sales in its export business due to a variety of unrelated factors, while sales in the European swimming pools business unit showed a small, expected increase on the prior year as the market continues to improve in that region and as Davey benefits from a strengthened relationship with its major customer in this market segment.

To counter the future effects of cyclical and climate-driven market conditions Davey has been extremely active in developing new products and services that are less subject to these factors. Davey's innovation activities are described in more detail in the Innovation and Product Development Section of this Review.

3. Similar to Davey, Oates reported a small decline in revenue on the prior year's level. In Oates' case this was due to two influences – the closure of the Masters hardware chain midway through the first half of the year and the decision to cease supplying Woolworths in the grocery segment which became effective late in the first half. Revenue growth was reported in Oates' heartland market, the commercial and industrial cleaning supply channel, following the record result for this customer segment in the prior financial year.

   Following the CEO change at Oates late in the first half, the strategic focus for this business has also broadened to include fully exploiting the many opportunities that present themselves in specialised market segments in the commercial/industrial cleaning sector. Typically, these market segments require a degree of expert applications knowledge and connected product development, and are less price and margin sensitive than the retail/consumer markets.

Profitability

Following the sale of the Sunbeam, Lock Focus and Dexion businesses, in which a total loss on sale of $50.7 million was reported in the year, the Group reported a net loss after tax of $7.3 million. This compares with the prior year's result of a net loss after tax of $43.0 million, a period in which the result was materially affected by impairment costs associated with Dexion's goodwill, other intangibles and inventory.

In addition, in 2016-17 the net result included costs of $3.0 million relating to portfolio transactions and $3.6 million of restructuring costs which were primarily related to Dexion.

Underlying net profit after tax from the continuing operations, which include the automotive businesses, Davey and Oates improved by 11% on the prior year to $51.8 million.

Underlying EBIT from the continuing businesses improved by 2% to $83.6 million, while EBIT expanded 18% to $83.2 million. The prior year's EBIT result included a charge of over $10.6 million relating to the earn-out for the prior owners of Brown & Watson International.

This underlying EBIT result came about from strong growth of 11% in the automotive businesses, which was offset by small EBIT declines in both Davey and Oates. The primary factors affecting the profitability of each of the reporting entities are detailed below.

1. The 11% uplift in underlying EBIT in Automotive came from a combination of organic growth and profit contributions from the two acquisitions. Both the Ryco and BWI businesses generated profit growth from market-related activities including new product introductions, expanding the customer base and entry into new market segments.

   BWI's contribution to this result was impacted by costs associated with a product recall that occurred in the last month of the financial year.

   The acquisitions that were added to GUD's Automotive activity base in the year – Griffiths Equipment and IM Group – contributed a total of $7 million in revenue and $1.8 million in EBIT. On an annualised basis, it is expected that the total contributions for these two bolt-on acquisitions will add approximately $15 million in sales and $3 million in EBIT.

2. The 24% underlying EBIT decline in Davey came about through a combination of margin reduction due to lower sales, and from inflationary overhead cost increases. Revenue was lower in Australia due principally to weaker seasonal demand for products such as fire fighting pumps and swimming pool products. As noted this weakness was apparent in both Davey's active market segments and in adjacent and complementary segments, such as irrigation equipment.

3. Oates registered a 15% decline in underlying EBIT due to a combination of lower sales in hardware stemming from the closure of the Masters chain and a reduction in sales in grocery as Oates withdrew from supplying products to Woolworths supermarkets. In addition, the previously noted inability of Oates to achieve price increases in retail segments in response to higher product costs due to currency factors has affected both revenue and gross profit margin.

As noted above, the discontinued operations generated a net loss of just under $59 million in the year. There were three primary components to this. The first was a loss on sale of $50.7 million, consisting of contributions from Dexion, Lock Focus and Sunbeam. Second, these businesses generated an EBIT loss for the year totalling just under $3 million. The final element was costs associated with the transactions and restructuring costs, which totalled $6.7 million.

Foreign Exchange

GUD continues to source inputs or completed products from suppliers based predominately in Asia, usually priced in foreign currency. As the inputs or products are typically on-sold to customers in Australia or New Zealand in the respective local currencies, movements in foreign currency values have the potential to substantially affect the Group's financial result each year. This has been a challenge for Dexion, in particular, due to its relatively thin profit margins which meant movements in exchange rates had a greater impact on its profitability than in other businesses. The sale of Dexion will reduce the foreign currency transactional risk in the future.

To address the impact from exchange rate movements, GUD has in past years utilised hedges of up to 90% of the forecast foreign currency net purchases for up to twelve months.

In the 2016-17 year, the Group moved to a shorter period of forward cover more aligned to the period required for our customers to observe that exchange rates have deteriorated to such an extent that a price rise may be logical. The businesses then implement price adjustments in line with agreed customer notice periods. The hedging period now differs between the Automotive business and Oates. Davey remains close to being naturally hedged between imports and exports.

Currency hedging over the year continued to be addressed predominately through forward exchange contracts, wherein the exchange rate is defined at the time of entering the contract. The cost of such instruments has trended down in the past year. With the relatively low sales volatility in the continuing business, and the hedging approach noted above, there is little need to hedge via options or similar instruments. Therefore, it is anticipated that continuing to use forward instruments in 2017-18 is a cost-effective approach to managing currency transactional risk.

In 2016-17 the Automotive and Davey businesses were successful in achieving price rises in response to weakening currencies, whereas the Oates business experienced difficulties in achieving offsetting price increases, especially in the intensely competitive grocery and hardware market segments. Price rises have been implemented to take effect early in the 2017-18 financial year in light of both current exchange rates and anticipated domestic cost inflation. Where price increases have not been possible, the businesses or product categories have other initiatives underway to reduce cost and avoid profit erosion.

Dividends

The total dividend for the 2016-17 year was 46 cents per share consisting of an interim dividend of 21 cents per share and a final dividend of 25 cents per share. Both dividends were fully franked.

This compares with total dividends of 43 cents per share in the previous financial year.

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

Cash Generation and Capital Management

Cash flow from operating activities was $45.3 million, and this includes contributions from the discontinued businesses.

After the progress made with net working capital in 2015-16, the focus during the current year moved to supporting sales growth, especially in the Automotive business. This is reflected in the sales growth seen in the year which has driven growth in debtors, and in some cases further debtor days were granted to selected resellers in exchange for broader ranging and sell-through support.

There was also focus on rebalancing inventory levels in Automotive, Davey and Oates to improve each business's delivery performance and consequently minimise lost sales and this was reflected in the sales performance. This, combined with inventory for new products, has seen inventory balances for continuing operations increase modestly over the year.

The major cash commitments have been related to the automotive segment acquisitions and disposals where payments were made for the final BWI earn-out of $20 million, the purchase of Griffiths Equipment for an initial cash payment of $7.3million and the purchase of IMG for an initial cash payment of $6.1 million. This is reflected in the Consolidated Cash Flow Statement which reports:

- Payments for investments of $33.2 million (adjusted for cash acquired); and
- Proceeds from sale of investments of $38.3 million (net of cash disposed) from the sale of the Sunbeam ANZ, Jarden Asia, Dexion and the Lock Focus businesses.

During the year, BWI's income tax instalments were aligned to GUD's instalment regime. In the prior year, the instalment basis provided an effective deferral of tax payments which is no longer the case. This has driven a step up in the income tax paid compared to the prior year.

The disappointing area in 2016-17 was Dexion's cash absorption. The business could not sustain the prior year's net working capital improvement due to an absence of new large projects which customarily feature substantial down payments to offset the working capital intensive reseller and production activities. An underlying EBIT loss and costs to support the business sale also added to Dexion's negative cash generation.

External Financing

The company is now two years into a five-year debt financing facility involving Westpac, National Australia Bank and the Commonwealth Bank which expires on 1st July 2020. This comprises a fixed core facility of $185 million, and an amortising acquisition related debt facility which currently stands at $97.5 million reducing by $15 million each year to a balance of $62.5 million over the period of the loan.

Strategy Review

GUD's primary objective is to generate long-term shareholder returns above the cost of capital, while maximising the value of its unique portfolio of market leading brands.

Strategy development and execution is focused at the segment level, denoting that GUD's businesses operate with a significant degree of autonomy in this regard. Traditionally, there has been very little overlap between the businesses in respect of markets and customers served, hence the focus. However, in recent years, over which the portfolio has become more concentrated on the automotive sector, there has been more coordination of strategy development and execution across all the automotive businesses.

This resulted in the creation, in May 2017, of a head of all GUD's automotive interests, with the CEOs of each operating business reporting through to this position. Bob Pattison, who managed the GUD Automotive business from 2004 and then BWI since GUD's acquisition in 2015, has concurrently taken on this role as CEO of GUD's Automotive Division, encompassing GUD Automotive, IMG, Wesfil, BWI and GEL.

The individual business or segment approach is overlaid with strategic portfolio analysis, which addresses the structure of the GUD group in relation to the types of activities the Company should be active in to meet its long-term objective.

The business unit and Group strategies are prepared and reviewed by the Board annually. The method adopted considers the competitive position of each business through assessing its market position, management capabilities and business culture, business fitness and scalability opportunities.

In addition, the attractiveness of each industry sector is evaluated along with the long-term financial performance of each business unit. The latter analysis includes sales and profit trends along with shareholder return history.

This approach provides a framework for assessing an activity and business unit's prospects, from which the future portfolio structure is developed.

From the strategy work completed in recent years more clearly defined criteria for GUD's portfolio structure have emerged. The overarching guidelines that frame the portfolio structure now and into the future are:

- Industrial, trade or commercial customer base.
- Business-to-business sales profile.
- Strong brands – either #1 or #2 in the category.
- Product leadership in niche markets with a strong innovation track record.
- An attractive industry structure driving sustainable returns.
- Sustainable, robust market growth record and prospects.

The elements that frame the strategy are:

1. Investing in innovative product and service development to deliver breakthrough new products and/or services that address specific customer needs, through either distinctive product features, lower overall cost and/or improved functional performance.
2. Investing in GUD's brands through the full spectrum of marketing activities and programs to maintain leading positions with each brand's selected audience.
3. Improving product and supply chain costs and efficiencies to enable each business to remain internationally competitive in its sector.
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.

Two of these have been the principal, singular focus for strategic activity in 2016-17 – portfolio management and innovation.

The activities aligned with each of these two are detailed in the following sections.

Portfolio Management

The 2016-17 year was characterised by a substantial level of activity centred on reshaping GUD's portfolio of businesses. The rationale for this reshaping is manyfold and includes:

- Strengthening GUD's automotive interests as the automotive aftermarket provides steady, consistent growth and relatively reliable profit streams through high market shares and strong brand positions.
- Reducing GUD's exposure to sectors that are not displaying the same growth potential, have a historical record of volatile profitability and where the ability to build an internationally competitive business with scale is not present.

Bearing these two factors in mind the Group finalised the following portfolio adjustments in the 2016-17 year:

1. GUD's remaining interests in the Sunbeam appliance business joint ventures were sold to the joint venture partner, Jarden Consumer Solution, on 1st July 2016.
2. Griffiths Equipment Limited, a New Zealand-based business distributing and selling a range of automotive accessories through, predominantly aftermarket channels, was acquired in October 2016.
3. The Lock Focus security products business, which had been part of GUD since 1993, was sold to Safecorp Group Limited in November 2016.
4. Dexion, the warehouse racking systems business, was sold to Tech-Link Storage Engineering of Singapore in June 2017.
5. A further automotive investment, the acquisition of Innovative Mechatronics Group, was completed on 1st June 2017.

The details of each of these transactions, with the exception of Sunbeam, follow. The reasoning behind and the details of the Sunbeam divestment were described fully in last year's Operating and Financial Review.

Griffiths Equipment (GEL) acquisition

GEL had maintained a long-standing business relationship with BWI, being the New Zealand distributor for BWI's Narva and Projecta brands of automotive lighting and battery and power products.

GEL continued to operate its automotive accessories business separately since, but the benefits of bringing GEL into the GUD stable became apparent in the ensuing period and negotiations commenced to acquire the balance of GEL's operations.

Griffiths has been active in the New Zealand market since 1960. It sells a broad range of automotive accessory products to major customers such as Repco, Supercheap Auto and Mitre10 that it sources from numerous international and local suppliers.

Its product range is marketed under brands that GEL owns, such as Wildcat, Antech and TypeS and those that it distributes for other principals.

GEL has a small presence in the Australian market with the potential to grow substantially with BWI's support. Its sales turnover in Australia and New Zealand is currently around $8 million annually.

The total estimated consideration for this acquisition is $9.1 million, including $1.8 million contingent consideration subject to business performance in the twelve months to 30 September 2017. During the nine months in which GEL has been part of the GUD Group it contributed revenue of $6.1 million and EBIT of $1.7 million.

The transaction to acquire GEL was completed on 1st October 2016 and the business is now managed by BWI.

Lock Focus divestment

The Lock Focus security product business was GUD's first acquisition when the Group decided in the early 1990s to diversify from being solely an automotive filtration manufacturer and supplier. Lock Focus has been a steady, yet relatively small, contributor to GUD's financial performance since 1993, but in recent years, sales and profitability had trended down as the business's primary customer base – local original equipment manufacturers – either closed or relocated offshore.

Therefore, with little scope to scale the business to the levels needed for it to be a material contributor to overall profitability the decision was taken to divest this activity.

Lock Focus was sold to Safecorp Group Ltd, the owner of another niche business in the security industry, Australian Lock Company. The transaction was completed on 1st December 2016 and GUD reported a net book loss of $3.9 million associated with this sale in the accounts.

Dexion divestment

The Dexion warehouse racking products and systems manufacturing business has been in GUD's portfolio from September 2010. Since acquiring Dexion GUD has applied immense effort to, and made significant investments in, reshaping Dexion, with the objective of repositioning the business to compete on an international scale and to bring it to satisfactory, sustainable and reliable levels of profitability and return.

Despite major progress being made, including the closure of Australian and New Zealand racking manufacturing operations, considerable overhead restructuring and internal systems improvements, it became clear that the achievement of returns required by GUD's investors was still too far into the future.

As the pathway to acceptable return performance was too prolonged the decision to exit this activity was taken early in 2016-17 and a divestment program commenced. This concluded with the late May 2017 announcement that Dexion had been sold to an existing industry participant – Tech-Link Storage Engineering of Singapore – effective on 1st June 2017.

The total estimated consideration relating to this sale is $12.2 million, of which $9.5 million was received around the end of May 2017. During the 2016-17 year Dexion reported sales of $142 million and an underlying EBIT loss of nearly $3 million.

Innovative Mechatronics Group (IMG) acquisition

The opportunity to acquire IMG arose during the year and the transaction was completed on 1st June 2017.

IMG is a business that is complementary to the Group's GUD Automotive (GUDA) business. Apart from owning the market leading Ryco brand of filters, GUDA also has a presence in the growing engine management replacement parts category, through its long-established Goss brand of electric fuel pumps, oxygen sensors and associated parts.

IMG also competes in the engine management replacement parts business and offers synergies to be captured by combining the Goss brand and related activities with IMG.

The total estimated consideration paid for IMG is $10.2 million, of which nearly $4.0 million is contingent consideration based on an earn-out target to 30th June 2020. In the one month that IMG was a part of GUD's portfolio it generated sales of $0.8 million and an EBIT contribution of just under $100,000.

Although a relatively small transaction, this acquisition positions GUD as the major independent supplier of engine management products to the Australian aftermarket.

Innovation and Product Development

Innovation and new product development has been a fundamental component of activity across all GUD's businesses for many years. However, with increasing globalisation and growing disintermediation the need to continue innovating to provide the users of, and customers for, the Group's various products and services with new features and benefits has become more paramount.

Without new products and services GUD's ability to compete over time will erode and the requirement, therefore, to accelerate the introduction of these through a well-defined innovation process is imperative.

To that end, and with the objective of creating a consistent innovation approach and culture, a comprehensive innovation capability-building program commenced during the 2015-16 year and concluded in 2016-17. This structured program involved capability building across a group of people from a broad spectrum of disciplines in every business.

The aim of the program is to embed a common innovation process, based largely around principles that are complementary with design thinking concepts and that are resolutely focused on the existing or potential customer or user. From this each business has been tasked with developing a pipeline of breakthrough new products or services for introduction in the current and coming years.

The ability to create new solutions to existing customer problems is critical for future sales growth, for margin protection and for maintaining the relevance of GUD and its brands with its disparate and complex customer bases.

The program is about making innovation, and the unique approach to it, a way of doing business for GUD in coming years.

The business that has made the most progress in this area is Davey Water Products. Davey was early to embrace the innovation process and has experienced many major learnings in relation to the process steps over the last two years. Consequently, it has successfully introduced two new products to the market and has a number of other potential ideas approaching commercialisation.

The first product to transit through the innovation process is the Remote Start Firefighter® pump. This product was partially born in response to the recommendations coming from the Royal Commission covering the Black Saturday bushfires in Victoria. The product allows homeowners to remotely start and stop their home fire fighting pumps through utilising connectivity through the mobile telephone network. The product incorporates many features to assist users and homeowners, including reporting on the pump's operational status.

The second product commercialised after progressing through the innovation process was introduced to potential customers at the May 2017 Design BUILD show in Sydney. This is the Monsoon IQ® pump set system that allows users to smartly monitor and manage a variety of performance variables on their water infrastructure serviced by a Davey pump set. Typical users include high rise building managers, golf course curators, farmers and irrigators.

Several other potential product break-throughs are currently being assessed by Davey's innovation teams and these include water solutions for dairy farmers, for householders without mains water supply and for swimming pool owners.

Following a year of intensive new product activity in 2015-16, which included the launch of a diesel particulate filter program and SYNTEC™ oil filters for high performance vehicles, the Ryco business continued with its innovation initiatives in 2016-17. The FireGuardian air filter product range was developed and introduced to the emergency services sector and contributed to revenue growth in the year, as previously noted.

Additionally, numerous new product and service concepts were investigated, through the scan phase of GUD's innovation process, and these investigations led to decisions to terminate further activity. Whilst no innovative products or services emanated from these investigations the knowledge accrued from them has proven useful in providing a more complete understanding of user and customer issues which, in turn, have opened other opportunities for exploration. This pattern is typical for any well-structured innovation process.

Consequently, the Ryco business is currently exploring innovation opportunities in two market segments that provide substantial revenue growth potential – high performance air filters and heavy-duty filtration.

As reported last year, on acquisition by GUD the Brown & Watson business had a broad ranging new product introduction program that fully utilised the product development resources in the business. This program supported the new product introductions associated with the 2016 Narva and the 2017 Projecta catalogue updates. In excess of 700 new products were introduced to the market in association with the catalogues' publication.

Because of this intensive activity the decision was made to hold back on introducing the GUD innovation process and tools at BWI until late in the 2016-17 financial year. With capability building for BWI people occurring in the third quarter of the year the business is now positioned to embark on its first strategic innovation missions, which will complement the continuation of work occurring on the normal new product program.

These missions will focus on identified strategic opportunity areas for BWI, with activity to commence early in the 2017-18 year.

Oates has been applying GUD's innovation process and tools to numerous opportunities in both the consumer and professional market segments over the course of the year. Investigations into user needs in some niche commercial market segments have uncovered many points of frustration that potentially lead to the development of innovative product and service solutions. In particular, potential exists in the aged/health care sector, in intense cleaning in shopping centres and in the way that Oates services and manages smaller commercial accounts. At the time of writing all these innovation missions are being actively pursued by the innovation team at Oates.

In addition to the work described above, which is focused on the commercial cleaning market, Oates is pursuing innovation opportunities in the way it presents its products to household customers in large retail outlets such as supermarkets and hardware chains. This is essentially a product communication investigation rather than a product solution, which exemplifies the scope of innovation at GUD – it is all encompassing involving products, services, internal processes and marketing solutions.

The summary position with innovation is that all of the continuing businesses in the GUD portfolio, with the exception of Brown & Watson, have now progressed through at least one cycle of the innovation process and, through absorbing the learnings that have come through completing a cycle, are positioned to accelerate their innovation activities in the 2017-18 year. The result should be more new products and services, delivered faster, contributing to revenue and margin growth across the year.

Corporate Social Responsibility

People, Safety and Culture

During the year, GUD conducted its third iteration of a broad-based employee survey to understand how people across the businesses were responding to management, leadership and the significant changes being made to the Company's business portfolio and within the businesses.

With these changes, it continues to be important to understand how people are coping, and how communication around them mitigates personal concerns. The responses to the survey shape the approach to the communication of plans and objectives of the Board and senior management, and identify where management might need to invest more time with personnel.

High performance is part of the culture of the businesses, an expectation as much as a vision. Individuals who have much to contribute, and show initiative, are given the opportunity to demonstrate their abilities and gain recognition for their achievements. GUD is cultivating its leaders of tomorrow.

Cross-business projects and teams continue to be a significant part of GUD. However, these are evolving in nature and, where the immediate purpose has been addressed, some have been disbanded or scaled back, whilst new project teams are established to tackle emerging risks and opportunities. These teams develop a broader cross-section of people having a greater understanding of the businesses, the risks and opportunities, create an environment for sharing of knowledge and solutions, so creating a pool of talent with readily transferable skills available to be applied where best utilised. GUD's Information Technology Council, discussed last year, identified the need for a corporate resource to lead the harmonisation of the approach to the many technology risks and opportunities, develop cohesive and comprehensive policies and bring thought leadership on technology to the Company.

GUD's safety culture is well entrenched. With the recent sale of Dexion, the Group's businesses are now predominantly a common model of warehousing and distribution, with elements of manufacturing within Davey and the recently acquired IM Group. The fundamental drivers of improved safety will remain, the focus being on safety leadership, teamwork and individual accountability. The related programs and initiatives enhance safety culture, with management leadership on visible safety and employee participation at all levels, in regular safety campaigns and safety conversations.

The GUD Safety Excellence Awards promote, encourage, recognise and reward businesses, teams and individuals who place a high value on accident prevention and promotion of safety in the workplace. At the second annual Safety Excellence Awards held in August 2016, Ivan Kish from Davey Water Products was recognised in the individual category for his initiative in electrical safety at the work site, whilst teams at GUD Automotive (for developing a safety plan for an offsite event at a heavily trafficked customer site) and Brown and Watson (for significant improvements in traffic management) were recognised, as was the Davey Water Products business with an innovative approach to increasing the number of staff engaging in safety conversations.

The Awards are being run again this year and noteworthy submissions have been received from many of the businesses competing to be the best and safest in the GUD Group.

Having invested considerably in pertinent training last year, this year GUD focused on implementing programs to utilise that training, undertaking numerous incident causation investigations in order to understand and learn from the factors that contribute to an incident and the latent hazards within the workplace system and organisation. The knowledge gained was shared across the businesses.

For many years GUD has run a comprehensive program of annual inspections of the major sites by trained personnel from other businesses within the Group. This year the focus turned to the smaller and remote branch warehouses in the Group, of which there are fifteen, where a number of incidents had raised the prospect that previously safety business plans were not addressing those sites and the common risks they faced.

In addition, the team started to focus on the reporting of safety incidents which, while they may not have resulted in an injury, indicated that there had been a failure of some description. Analysis of these incidents provides further opportunity for improvement.

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

	Year ended 30 June			
Measure	**2014**	**2015**	**2016**	**2017**
Total Recordable Injury Frequency Rate	14.3	8.2	7.1	9.6
Lost Time Injury Frequency Rate	5.6	1.8	4.5	5.8

GUD recognises the tireless efforts of the many people who have actively contributed to improving safety culture and outcomes.

GUD seeks to ensure equality and fairness in proposing and recommending salary and career decisions for all employees. Doing so forms the basis of ensuring sustainability into the future, in areas such as recruiting, career and succession planning, development planning and workforce planning. The objective is to grow the pool of talent available and to ensure that personnel with the right skills and experience are best utilised, and that all personnel are given opportunities to succeed.

GUD's businesses offer an employee assistance programme, provided on a confidential basis by an independent third party. Employees and managers are encouraged to make use of this assistance whether the matter is work-related or personal.

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

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.

GUD's businesses continue to be aware of and plan for sustainability risks of varying degrees found across the businesses in product quality, labour, supply reliability, health and safety and the environment. Some businesses are better prepared and more progressed in the identification, analysis and consideration, and planning and implementing a response to these risks.

Ethical conduct in business is a key pillar of GUD's sustainability. GUD has had a Code of Conduct for many years, which includes provisions for the protection of 'whistle-blowers'. The Code of Conduct has been strengthened recently through broad-based training of staff in areas of privacy, anti-bribery and corruption, harassment and bullying, anti-competitive conduct and consumer protection.

GUD's businesses have relatively minor impact on climate change through greenhouse gas emissions and energy consumption. Because of their nature, GUD's operations in total continue to be well beneath the reportable thresholds established by the National Greenhouse and Energy Reporting Act.

Risk Review

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 unit 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 workplace 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 the priorities for mitigation actions. These risks are material business risks that could adversely affect achievement of GUD's strategic objectives that are outlined in the 'Strategy' section above and financial prospects described in the 'Outlook' section.

The risks identified for priority are detailed below.

Brand reputation risk due to poor product quality. 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.

Growing risks to IT security. These risks have played out in business and government over the year, although fortunately not impacting GUD adversely. GUD has dedicated significant resources to IT strategy, which includes actions to mitigate the occurrence and potential impact of cyber risk, by developing a robust technology platform, and alerting and training all staff on simple precautions and actions to reduce the risk.

Ethical business behaviour is key to GUD's reputation. However, risks of bribery and corruption are a constant threat, to both corporate and individual reputation, as well as financially and to personal liberty. The Company assessed these risks and established policies and processes, including training of staff, to mitigate them.

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 and the Automotive businesses import their full product needs while Davey manufactures and assembles, as well as sources from external suppliers. There are several individual risks that can be categorized under this topic, 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.

Towards the end of the financial year the Group began a major review and updating of its risk management methodology, with the aim of bringing fresh insights to, and engaging in, more rigour around the process.

Foreign Exchange Risk

The impact of foreign currency fluctuations on the purchases of goods in foreign currencies when translated back to the functional currency of the relevant subsidiary remains 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 'Outlook' section, unless appropriate compensating controls and risk mitigation actions are in place.

As noted previously, the sale of the low margin and import dependent Dexion business has reduced the potential financial impact of this risk in future years. In addition, the remaining businesses have a more stable profile of sales and a stronger correlation between anticipated and actual foreign currency purchases. These two factors are contributing to reduce the potential volatility around forecasting the foreign currency transactional risk in future years.

Nonetheless, foreign exchange exposures will continue to be managed from a perspective of minimising the effects of volatility on the value of the foreign currency cash flows of the business and a foreign exchange policy will be applied that requires significant purchases in foreign currencies to be hedged using either foreign exchange forward contracts, options or collars.

A Financial Risk Management Committee, consisting of finance staff from the business units and managers from the holding company, meets monthly to monitor foreign currency transaction exposures, outstanding hedging contracts and determine additional hedging required to stay within policy guidelines.

The sale of the Dexion business has also removed the foreign currency financial statements translation risks inherent from owning substantial production facilities and distribution networks in Asia.

The remaining financial statements accounts translation risk is predominately from New Zealand with a minor exposure in Europe. The foreign currency accounts translation risk on foreign subsidiaries is not hedged.

Outlook

Due to the changes made to the structure of GUD’s business portfolio over the last two financial years, in which the businesses with the most unpredictable and volatile profit histories have been disposed of, underlying financial performance in 2017-18 is expected to improve on the level generated in 2016-17.

This improvement is expected not just because of the portfolio changes but will also come from initiatives and programs that have been actioned at each of the remaining business units.

Specifically, GUD Automotive, the business that is active in the automotive and heavy-duty filtration markets, will continue with its long-standing workshop conquest program, in which end users are converted to using the market leading Ryco brand of air, fuel and oil filters. With its recent focus on growth opportunities in the heavy duty segment the conquest activity is also covering truck workshops and service centres for the first time.

Each year Ryco introduce hundreds of new filters to ensure that the brand’s range maintains currency with the changing nature of the automotive markets in Australia and New Zealand. In 2017-18 GUD Automotive plans to introduce around four hundred new filters in support of this objective.

Similar to the period after which GUD acquired Brown & Watson International, the 2017-18 year for the recently acquired Innovative Mechatronics Group will involve the introduction and implementation of GUD’s management philosophies and structures. In addition, with the Goss brand moving to be managed in the IMG portfolio, several brand management issues will be addressed with the objective of streamlining GUD’s presence in some major product segments in the automotive aftermarket.

The Wesfil business, which services the independent reseller market segment in the automotive aftermarket with a varied range of service parts based around a core filtration offer, is expected to continue its steady growth trajectory as it introduces new parts in response to customer demand. For example, midway through the 2016-17-year Wesfil introduced a spark plug program under the TriPower brand and will benefit from a full year’s sales and profit contribution from this program in the current year.

Since being acquired by GUD on 1st July 2015, BWI has become a substantial contributor to GUD’s financial position and performance. This has come about through new product introductions, momentum on which was evident at the time of GUD’s purchase. This momentum continued in 2016-17, supporting the publication of the latest Projecta brand catalogue. A raft of new product activity is in progress for the current financial year, while the business expects to reap the full year benefit from the products that were introduced part way through the previous year.

In addition to this new product activity, BWI has identified a number of market segments which offer growth potential for the current year and support structures have been put in place to ensure this occurs. One such market niche is the emergency services lighting market, in which BWI has had a presence in the “amber” product segment but not in the “red and blue” (police, ambulance, etc.) segment. With access to an internationally recognised product range and with specialised resources now in place BWI is expecting to grow market share and has, at the time of writing, secured supply to a substantial customer active in this market.

Financial performance in BWI will also be bolstered by the full year contribution from the Griffiths Equipment acquisition, along with additional benefits from this purchase. These benefits include the potential to expand distribution of GEL's products in the Australian market, where its presence has been limited, utilising the full resources available through BWI.

Following the management change at Oates late in calendar 2016 this business has adopted a more focused approach to its growth opportunities. Primarily these exist in the commercial and industrial market segments rather than in retail/consumer, and these are being pursued in a structured manner using GUD's innovation process as the underlying framework for enquiry and action.

Additionally, through uncovering several internal efficiency improvement avenues, Oates is in the process of making changes to the way it handles the order-to-delivery cycle. This has already resulted in marked improvement in the business's delivery performance and a substantial reduction in the occurrence of lost sales.

The Davey business is pursuing profit growth in three major directions. First, Davey has been the most advanced of GUD's businesses in its adoption and implementation of the innovation process, structure and framework. Consequently, it stands to benefit from sales of product and services that have resulted from completed innovation missions in the current financial year.

Complementing these top line initiatives are two projects aimed at, first, radically changing the way Davey goes to market and second, overhauling Davey's supply chain through product design and assembly simplification. These two remain work-in-progress and are expected to make a contribution to Davey's performance during the current financial year.

In last year's Operating and Financial Review, it was stated that GUD was transitioning to managing a group of businesses with trade and industrial customers as the core of the customer base. With the sale of Dexion and Lock Focus this transition is now effectively complete.

The brands remaining in the Group's portfolio - Ryco, Wesfil, Narva, Projecta, Goss, Davey, Oates and those acquired with IMG - are all leaders in their respective market segments to this customer profile.

The transition was aimed at building a solid portfolio of consistently and reliably performing businesses, that aren't subject to the variability of consumer markets or major economic cycles, such as building activity. By being close to customers and framing product and service development around real customer needs GUD's current businesses are uniquely placed to organically grow and to deliver high quality returns over a prolonged period.

Remuneration Report (Audited)

This report forms part of the Directors' Report and has been audited as required by section 308(3C) of the Corporations Act 2001, and prepared in accordance with the Corporations Act 2001.

The report is outlined in the following sections:

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

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 for all or part of the financial year ended 30 June 2017:

Name	Role		
Non-Executive Directors			
R M Herron	Non-Executive Director and Chairman		
A L Templeman-Jones	Non-Executive Director and Chairman of Remuneration Committee		
M G Smith	Non-Executive Director		
G A Billings	Non-Executive Director and Chairman of Audit, Risk & Compliance Committee		
D D Robinson	Non-Executive Director		
Managing Director			
J P Ling	Managing Director		
Senior Executives			
M Fraser	Chief Financial Officer		
K Hope	Chief Executive Officer	Sunbeam	(Sunbeam exited the GUD Group on 1 July 2016)
D Birch	Chief Executive Officer	E D Oates	(resigned 28 February 2017)
D Chin	Chief Executive Officer	E D Oates	(appointed 24 October 2016)
R Pattison	Chief Executive Officer	GUD Automotive Division Brown & Watson International	(appointed 1 May 2017) (appointed 1 July 2015)
G Nicholls	Chief Executive Officer	GUD Automotive	
T Richards	Chief Executive Officer	Dexion	(Dexion exited the GUD Group on 1 June 2017)
D Worley	Chief Executive Officer	Davey	
T Cooper	Managing Director	Wesfil	

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 (collectively, "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 in general, and makes specific recommendations on fees, remuneration packages, incentives and other terms of employment for Senior Executives.

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

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

3. Senior Executive remuneration strategy and structure

Remuneration strategy

Our remuneration strategy is designed to attract, retain and motivate appropriately qualified and experienced 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 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 five components:

- Fixed remuneration;
- Other employment related benefits; and

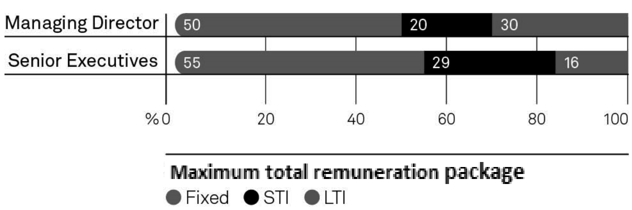
"at risk" remuneration including:

- Short-term incentives (STI);
- Long-term incentives (LTI); and
- Special incentives.

These comprise the total remuneration paid to Senior Executives.

Our approach is to position the maximum "at risk" components of Senior Executives' remuneration relative to total maximum remuneration, to around 45 per cent, and 50 per cent in the case of the Managing Director.

In the absence of any special incentives, the remuneration mix for the Senior Executives is as follows:



Fixed remuneration

The remuneration packages for the Senior Executives contain a fixed amount that is not performance linked. The fixed remuneration consists of base salary, and vehicle entitlements or allowances, 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. Periodically, independent consultants provide analysis and advice to the Remuneration Committee to ensure the packages are competitive in the market with comparable roles. We have adopted a desired market positioning around the median of the peer group. The Company has received remuneration recommendations from an independent consultant during the year ended 30 June 2017.

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

Other employment related benefits

In addition Senior Executives receive annual and long service leave and salary continuance insurance.

STI

The Board considers that basing the STI payments on Cash Value Added (CVA) performance aligns the interests of the Senior Executives with the interests of shareholders in the businesses being operated profitably. The current STI plan provides an annual bonus for achieving or exceeding an agreed CVA target and is paid following the announcement of the Group’s year-end results. CVA targets are set with reference to agreed underlying EBIT targets and the weighted average cost of capital employed.

CVA measures a true level of performance of the business by comparing trading profit performance (being reported profit adjusted for non-recurring items) with the return required on the net assets used by the businesses. This requires management to drive both trading profit and carefully manage the balance sheet.

Acquisition and disposal costs are excluded from the CVA calculation due to their one-off nature, which can be difficult to budget with certainty and consequently including them could discourage growing shareholder value through business portfolio changes.

For each financial year:

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

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

The Board continues to view CVA as the most appropriate annual performance measure.

STI bonuses are calculated as a percentage of fixed remuneration. When the CVA target is achieved, the threshold STI bonus is paid in full. If the CVA target is exceeded, the STI bonus increases up to a ceiling of no more than 150 per cent of the threshold STI bonus generally upon achieving 120 per cent of CVA target. No STI is paid where CVA falls below the CVA target.

	% of salary at		
Bonuses as a percent of fixed remuneration	STI Threshold performance	STI Stretch performance	LTI
Managing Director	26.67	40.00	60.00
Senior Executives	35.00	52.50	30.00

Details of the CVA STI bonuses payable to the Senior Executives for the year ended 30 June 2017 are set out in section four of this Report.

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 energy industries. It was chosen on the basis that it is the most effective way to measure and reward the extent to which shareholder returns are generated relative to the performance of companies that compete with the Group for capital and employees. The comparator group typically comprises over 100 companies.

LTI bonuses are provided as performance rights, granted at the commencement of the relevant three-year period, which will convert to an equivalent number of GUD shares if the performance hurdle is achieved over the relevant three-year performance period. No amount is payable for the issue of performance rights, or for the shares received upon vesting of those performance rights. The plan is in line with market norms, supports the delivery of the Group's long-term strategy and ensures that the Senior Executives hold an exposure to equity. The maximum number of performance rights will be set as a percentage of the Senior Executives' fixed remuneration on grant, re-stated as a number of performance rights, determined by applying the share price, being the VWAP over the month of June immediately prior to the commencement of the relevant year of grant.

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

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

Following the end of the performance period, the Board receives an independent assessment of the Company's TSR performance against the comparator group over the performance period. The vesting schedule for performance rights equity-based awards is as follows:

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

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

The rules of the LTI plan include provisions that prohibit participants entering into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme.

Special Incentives

From time to time the Remuneration Committee may approve special incentives to selected employees aligned to the attainment of particular outcomes which align with shareholder interests and value. Special incentives may be paid as performance rights or other salary.

Sunbeam

In anticipation of the sale of the Company's remaining 51% of the shares in Sunbeam Corporation Limited and Sunbeam NZ Corporation Limited (collectively "Sunbeam ANZ") and 49% of the shares in Jarden Consumer Solutions (Asia) Limited ("Jarden Asia"), the Remuneration Committee approved special incentives for Karen Hope, and on 14 April 2016, she was granted 73,282 performance rights which were to vest into an equivalent number of ordinary shares in GUD for no consideration subject to the following performance hurdles:

- The first tranche of 36,641 performance rights would vest upon the successful completion of the sale of Sunbeam ANZ and Jarden Asia effective 1 July 2016 and the receipt of minimum proceeds in consideration of the sale as agreed between the parties; and
- The second tranche of up to 36,641 performance rights would vest upon attainment of above the minimum proceeds in consideration of the sale based on certain targets being met. The attainment of targets by Sunbeam ANZ and Jarden Asia were subject to the review and endorsement of the acquirer, HPFE (a subsidiary of Jarden Corporation) by September 2016.

With respect to the first tranche, the Remuneration Committee approved the vesting of 36,641 performance rights to Karen Hope on the basis that the Company received target proceeds of $34.5 million for the sale of the Company's remaining interests in Sunbeam ANZ and Jarden Asia.

With respect to the second tranche, the required targets were not met and performance rights did not vest.

Dexion

During the year ended 30 June 2016 the Remuneration Committee had approved the grant of 115,528 performance rights to Tim Richards if Dexion was to attain certain EBIT levels in the year ending 30 June 2017.

During the year ended 30 June 2017 the Board explored the potential sale of the Dexion business. In order to ensure managerial continuity through the process, the previous performance rights were lapsed and replaced with:

- A retention bonus of $250,000 to remain with the Dexion business until 1 January 2018; or in the alternative
- If the Company was to successfully complete the sale of the Dexion business prior to 31 December 2017, an incentive bonus of $500,000.

Completion of the Dexion sale occurred on 1 June 2017 (Note 33b). The incentive bonus was paid on 31 May 2017 and is included as other salary.

4.1 Remuneration of Senior Executives

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

		Short-term employment benefits						Long-term benefits					
	Year	Salary [1] and fees $	STI bonus $	Leave entitle-ments $	Income protection premium $	Car benefits $	Total $	Long service leave $	Equity fair value of performance rights [2] $	Superan-nuation $	Total $	Proportion of total that risk related remuneration %	Value of equity remuneration as a proportion of total remuneration %
Managing Director													
J P Ling	**2017**	**1,065,000**	**311,559**	**(24,846)**	**3,809**	**-**	**1,355,522**	**22,608**	**325,015**	**35,000**	**1,738,145**	**36.6**	**18.7**
	2016	965,000	-	(20,689)	4,360	-	948,671	18,558	223,748	35,000	1,225,977	18.3	18.3
Senior Executives													
M Fraser	**2017**	**537,249**	**212,705**	**30,623**	**1,011**	**-**	**781,588**	**12,129**	**80,030**	**35,000**	**908,747**	**32.2**	**8.8**
	2016	494,882	-	3,679	903	29,411	528,875	9,195	70,126	35,000	643,196	10.9	10.9
K Hope [3]	**2017**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**20,050**	**-**	**20,050**	**100.0**	**100.0**
	2016	440,000	-	2,096	482	-	442,578	8,925	41,997	30,000	523,500	8.0	8.0
D Chin [4]	**2017**	**251,961**	**-**	**14,954**	**-**	**-**	**266,915**	**4,153**	**21,239**	**23,936**	**316,243**	**6.7**	**6.7**
	2016	-	-	-	-	-	-	-	-	-	-	N/A	N/A
D Birch [5]	**2017**	**349,358**	**-**	**19,453**	**-**	**-**	**368,811**	**8,852**	**30,351**	**33,189**	**441,203**	**6.9**	**6.9**
	2016	354,155	-	1,132	-	24,200	379,487	7,606	48,852	33,645	469,590	10.4	10.4
R Pattison [6]	**2017**	**470,363**	**265,316**	**23,455**	**2,035**	**-**	**761,169**	**5,083**	**66,689**	**35,000**	**867,941**	**38.3**	**7.7**
	2016	445,000	233,625	44,460	2,539	-	725,624	7,410	54,910	35,000	822,944	35.1	6.7
G Nicholls	**2017**	**390,000**	**220,500**	**6,020**	**326**	**-**	**616,846**	**14,689**	**49,954**	**30,000**	**711,489**	**38.0**	**7.0**
	2016	330,000	154,713	7,114	296	-	492,123	5,512	33,917	30,000	561,552	33.6	6.0
T Richards [7]	**2017**	**976,729**	**-**	**11,616**	**652**	**-**	**988,997**	**9,718**	**23,123**	**35,116**	**1,056,954**	**2.2**	**2.2**
	2016	386,667	-	11,480	-	-	398,147	-	20,610	22,500	441,257	4.7	4.7
D Worley	**2017**	**442,405**	**-**	**(4,262)**	**1,119**	**-**	**439,262**	**7,859**	**68,272**	**35,000**	**550,393**	**12.4**	**12.4**
	2016	428,500	213,906	25,963	1,397	-	669,766	7,224	40,409	35,000	752,399	33.8	5.4
T Cooper	**2017**	**389,360**	**182,984**	**434**	**2,035**	**-**	**574,813**	**12,036**	**60,329**	**35,000**	**682,178**	**35.7**	**8.8**
	2016	377,000	155,992	(5,171)	2,539	-	530,360	10,734	51,256	35,000	627,350	33.0	8.2
Total remuneration of the Managing Director and Senior Executives of the Group													
	2017	**4,872,425**	**1,193,064**	**77,447**	**10,987**	**-**	**6,153,923**	**97,127**	**745,052**	**297,241**	**7,293,343**		
	2016	4,221,204	758,236	70,064	12,516	53,611	5,115,631	75,164	585,825	291,145	6,067,765		

Year	Short-term employment benefits: Salary [1] and fees $	STI bonus $	Leave entitle-ments $	Income protection premium $	Car benefits $	Total $	Long-term benefits: Long service leave $	Equity fair value of performance rights [2] $	Superan-nuation $	Total $	Proportion of total that risk related remuneration %	Value of equity remuneration as a proportion of total remuneration %
Total remuneration of Non-Executive Directors												
2017	**733,392**	**-**	**-**	**-**	**-**	**733,392**	**-**	**-**	**69,671**	**803,063**		
2016	696,607	-	-	-	-	696,607	-	-	66,178	762,785		
Total remuneration (compensation of key management personnel of the Group)												
2017	**5,605,817**	**1,193,064**	**77,447**	**10,987**	**-**	**6,887,315**	**97,127**	**745,052**	**366,912**	**8,096,406**		
2016	4,917,811	758,236	70,064	12,516	53,611	5,812,238	75,164	585,825	357,323	6,830,551		

1 Salary includes base and other salary. In the case of Tim Richards, other salary includes a special incentive paid as a consequence of the sale of Dexion. In the case of David Birch, other salary includes a termination payment.

2 The fair value of performance rights granted under the 2017, 2018 and 2019 performance rights plans are subject to achievement of TSR hurdles and were calculated by independent experts using a Monte-Carlo simulation valuation. The fair value is allocated to each reporting period evenly from the date of grant to the vesting date. The value disclosed in the Remuneration table above is the portion of the fair value of the performance rights expensed during the year ended 30 June 2017.

3 In addition to the performance rights granted under the 2017 and 2018 performance rights plans, Karen Hope was issued performance rights by GUD Holdings Limited in line with the special incentives previously outlined in this report. The Company has recorded $249,892 with respect to the first tranche which vested. Karen Hope left the group as a result of the sale of Sunbeam on 1 July 2016.

4 David Chin appointed CEO of Oates on the 24 October 2016.

5 David Birch resigned in accordance with the notice provisions of his contract and left the Company on 28 February 2017.

6 Bob Pattison was appointed CEO of the Automotive segment on 1 May 2017 and was announced to the ASX on 9 May 2017.

7 Tim Richards left the GUD Group as a result of the sale of Dexion on 1 June 2017. The table above discloses his remuneration for the period to 1 June 2017. In addition to the performance rights granted under the 2018 and 2019 performance rights plans, Tim Richards was issued performance rights by GUD Holdings Limited in line with the special incentives previously outlined in this report. These were lapsed as a result of the sale of Dexion on 1 June 2017 and replaced with a $500,000 incentive payment for successfully completing the sale of the Dexion business which occurred on 1 June 2017 (Note 33b). The incentive bonus was paid on 31 May 2017 and is reported as part of salary.

4.2 Non-statutory compensation received by Senior Executives

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 year ended 30 June 2017.

The following table represents non-IFRS information. It sets out fixed remuneration, non-monetary benefits, STI payable in relation to the year ended 30 June 2017, as well as any LTI or special incentive that has been earned as a result of performance that vested during the year ended 30 June 2017 or shortly after 30 June 2017. As a general principle, the Australian Accounting Standards require the value of share based payments to be calculated at the time of grant and accrued over the performance period. This may not reflect what Senior Executives actually received or became entitled to during the financial year. The figures in the table below have not been prepared in accordance with the Australian Accounting Standards. They provide additional and different disclosures to the previous statutory table

		Not at risk		At risk		
	Year	Salary and super [1]	Other non-monetary benefits [3]	STI bonus [2]	Performance rights vested with respect to the year [4]	Total remuneration
		$	$	$	$	$
Managing Director						
J P Ling	**2017**	**1,100,000**	**1,571**	**311,559**	**1,165,244**	**2,578,374**
Senior Executives						
M Fraser	**2017**	**572,249**	**43,763**	**212,705**	**314,216**	**1,142,933**
K Hope	**2017**	**-**	**-**	**-**	**500,106**	**500,106**
D Chin	**2017**	**275,897**	**19,107**	**-**	**-**	**295,004**
D Birch	**2017**	**382,547**	**28,305**	**-**	**200,273**	**611,125**
R Pattison	**2017**	**505,363**	**30,573**	**265,316**	**234,407**	**1,035,659**
G Nicholls	**2017**	**420,000**	**21,035**	**220,500**	**143,107**	**804,642**
T Richards	**2017**	**1,011,845**	**21,986**	**-**	**-**	**1,033,831**
D Worley	**2017**	**477,405**	**5,685**	**-**	**272,440**	**755,530**
T Cooper	**2017**	**424,360**	**14,505**	**182,984**	**239,803**	**861,652**
Total remuneration of the Managing Director and Senior Executives of the Group						
	2017	**5,169,666**	**186,530**	**1,193,064**	**3,069,596**	**9,618,856**
	2016	4,512,349	211,355	758,236	2,048,092	7,530,032

1. Salary and super includes base and other salary and employer superannuation contributions. In the case of Tim Richards, other salary includes a special incentive paid as a consequence of the sale of Dexion.
2. The STI cash bonus column reflects the STI cash bonus paid in respect of performance during the year ended 30 June 2017 and paid in August 2017 following the announcement of the Group's year-end results.
3. Non-monetary benefits includes leave entitlements, income protection premiums and long service leave.
4. LTI performance rights granted in July and November 2014 vested as a result of meeting TSR targets on 30 June 2017. The Remuneration Committee approved vesting of the performance rights on 26 July 2017. The value assigned to the vested performance rights has been calculated using the Company's closing share price on 30 June 2017 of $12.91. In addition, special incentive performance rights were granted to Karen Hope in 2016 in relation to the sale of Sunbeam. The value assigned to the vested performance rights has been calculated using the Company's closing share price on 30 June 2016 of $9.11.

4.3 GUD Holdings Limited equity interests held by the Senior Executives

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

Performance rights granted during the year

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

	Rights granted during the year ended 30 June 2017	Grant date	Vesting date	Fair value per performance right at grant date $	Fair value of rights granted during the year ended 30 June 2017 $
Managing Director					
J P Ling	74,509	25 October 2016	30 June 2019	6.12	455,995
Senior Executives					
M Fraser	19,380	27 July 2016	30 June 2019	5.17	100,195
D Birch	14,093	27 July 2016	30 June 2019	5.17	72,861
D Chin	13,546	24 October 2016	30 June 2019	6.14	83,172
R Pattison	16,744	27 July 2016	30 June 2019	5.17	86,566
G Nicholls	14,224	27 July 2016	30 June 2019	5.17	73,538
T Richards	18,906	27 July 2016	30 June 2019	5.17	97,744
D Worley	16,168	27 July 2016	30 June 2019	5.17	83,589
T Cooper	14,372	27 July 2016	30 June 2019	5.17	74,303
Total	**201,942**				**1,127,963**

A minimum level of performance must be achieved before any performance rights vest. Therefore the minimum possible total value of the LTI for future financial years is nil.

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

	Grant date	Vesting period date	Fair value per performance right	Exercise price	Price of shares on grant date	Estimated volatility	Risk free interest rate	Dividend yield
			$	$	$	%	%	%
Grant to Managing Director	25 October 2016	30 June 2019	6.12	-	10.19	31.00	1.68	5.7
Grant to D Chin	24 October 2016	30 June 2019	6.14	-	9.99	31.00	1.62	5.7
Grant to Senior Executives	27 July 2016	30 June 2019	5.17	-	9.66	31.00	1.51	5.7

Performance rights holdings of Senior Executives

The following table discloses changes in the performance rights holdings of Senior Executives in the Company. The related parties of Senior Executives do not hold any performance rights.

	Balance at 1 July 2016	Rights granted during the year	Rights vested during the year	Rights lapsed during the year	Balance at 30 June 2017	Rights vested with respect to the year [1]	Rights lapsed with respect to the year [1]	Balance at the date of this report
Managing Director								
J P Ling	231,694	74,509	(72,851)	(5,822)	227,530	(90,259)	-	137,271
Senior Executives								
M Fraser	62,273	19,380	(20,225)	(1,616)	59,812	(24,339)	-	35,473
K Hope [2]	117,343	-	(46,299)	(53,393)	17,651	(12,882)	-	4,769
D Birch [3]	43,325	14,093	(13,294)	(19,081)	25,043	(15,513)	-	9,530
D Chin		13,546			13,546	-	-	13,546
R Pattison	48,503	16,744	(14,700)	(1,175)	49,372	(18,157)	-	31,215
G Nicholls	29,696	14,224	(7,297)	(583)	36,040	(11,085)	-	24,955
T Richards [4]	133,414	18,906	-	(135,116)	17,204	-	-	17,204
D Worley	35,038	16,168	-	-	51,206	(21,103)	-	30,103
T Cooper	45,425	14,372	(13,510)	(1,080)	45,207	(18,575)	-	26,632
Total	**746,711**	**201,942**	**(188,176)**	**(217,866)**	**542,611**	**(211,913)**	**-**	**330,698**

1 Performance rights granted under the 2017 performance rights plan fully vested on the basis of meeting TSR hurdles as at 30 June 2017. The vesting was approved by the Remuneration Committee on 26 July 2017 and the rights have therefore been included in the table above as if the vesting were effective 30 June 2017.
2 Of the 73,282 performance rights held by Karen Hope in relation to the special incentives, the Remuneration Committee approved the vesting of 36,641 with respect to the first tranche of performance rights to Karen Hope on the basis that the Company received target proceeds of $34.5 million for the sale of the Company's remaining interests in Sunbeam ANZ and Jarden Asia. With respect to the second tranche, the required targets were not met and performance rights did not vest and were therefore lapsed. In addition, the Board allowed a pro-rata amount of performance rights granted to remain 'on foot' in accordance with plan rules.
3 At the end of employment, a determination was made by the Board to allow a pro-rata amount of performance rights granted to remain 'on foot' in accordance with plan rules. D Birch resigned on 28 February 2017.
4 During the year ended 30 June 2016 the Remuneration Committee approved the grant of 115,528 performance rights to Tim Richards if Dexion was to attain certain EBIT levels in the year ending 30 June 2017. In anticipation of the sale of Dexion on 1 June 2017 these performance rights were lapsed. In addition, the Board allowed a pro-rata amount of performance rights granted to remain 'on foot' in accordance with plan rules. Tim Richards exited the Group on 1 June 2017 with the sale of Dexion.

GUD Holdings Limited shares held by the KMPs

The following table discloses changes in the shareholdings of KMPs and their related parties in the Company.

							Number of shares
For the year ended 30 June 2016	Balance at 1 July 2016	Shares issued from vested performance rights [1]	Shares purchased	Shares sold	Balance at 30 June 2017	Shares to be issued from vested performance rights [2]	Balance at the date of this report
Non-Executive Directors							
R M Herron	45,223	-	-	-	45,223	-	45,223
A L Templeman-Jones	3,292	-	1,750	-	5,042	-	5,042
M G Smith	30,373	-	5,000	-	35,373	-	35,373
G A Billings	11,250	-	-	-	11,250	-	11,250
D D Robinson	13,000	-	-	-	13,000	-	13,000

For the year ended 30 June 2016	Balance at 1 July 2016	Shares issued from vested performance rights [1]	Shares purchased	Shares sold	Balance at 30 June 2017	Shares to be issued from vested performance rights [2]	Balance at the date of this report
							Number of shares
Managing Director							
J P Ling [3]	143,422	72,851	-	-	216,273	90,259	306,532
Senior Executives							
M Fraser [3]	80,000	20,225	-	-	100,225	24,339	124,564
K Hope [4]	36,642	46,299	-	(82,941)	-	12,882	12,882
D Chin	-	-	-	-	-	-	-
D Birch	-	13,294	-	(13,294)	-	15,513	15,513
R Pattison	7,453	14,700	-	-	22,153	18,157	40,310
G Nicholls	3,663	7,297	-	-	10,960	11,085	22,045
T Richards	-	-	-	-	-	-	-
D Worley	1,562	-	-	-	1,562	21,103	22,665
T Cooper	6,850	13,510	-	-	20,360	18,575	38,935
	382,730	**188,176**	**6,750**	**(96,235)**	**481,421**	**211,913**	**693,334**

1 Performance rights granted under the 2016 performance rights plan partially vested based on meeting TSR hurdles as at 30 June 2016. The issue of shares was approved by the Remuneration Committee on 27 July 2016 (as disclosed in the Remuneration Report for the year ended 30 June 2016) and were allotted on 4 August 2016.
2 Performance rights granted under the 2017 performance rights plan fully vested on the basis of meeting TSR hurdles as at 30 June 2017. The issue of shares was approved by the Remuneration Committee on 26 July 2017.
3 Some executives holdings include shares held either directly, or through other entities in which the executive has a trustee role or controlling interest.
4 Of the 73,282 performance rights held by Karen Hope in relation to the special incentives, the Remuneration Committee approved the vesting of 36,641 with respect to the first tranche of performance rights to Karen Hope on the basis that the Company received target proceeds of $34.5 million for the sale of the Company's remaining interests in Sunbeam ANZ and Jarden Asia. With respect to the second tranche, the required targets were not met and performance rights did not vest and were therefore lapsed.

5. Link between performance and remuneration outcomes

The remuneration and incentive framework, which has been put in place by the Board, has ensured that the Managing Director and 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.

STI

In the current year, the following businesses in the consolidated entity exceeded CVA targets: GUD Automotive, Wesfil and Brown & Watson International. As a result, Executives of those business units received an STI bonus payment based on achieving or exceeding the business unit CVA performance. Corporate Executives, including the Managing Director and Chief Financial Officer, received a bonus upon achieving the Group CVA target.

STI bonus payable for the year ended 30 June 2017	Maximum STI opportunity $	Actual STI bonus payment [1] $	Actual STI bonus payment as a % of maximum STI %	Forfeited %
Managing Director				
J P Ling	440,000	311,559	71	29
Senior Executives				
M Fraser	300,431	212,705	71	29
D Chin [2]	144,846	-	-	100
D Birch [3]	-	-	-	100
R Pattison [4]	265,316	265,316	100	-
G Nicholls	220,500	220,500	100	-
T Richards [5]	-	-	-	100
D Worley	250,638	-	-	100
T Cooper	222,789	182,984	82	18

1 A minimum level of performance, including exceeding the previous year's CVA, must be achieved before any STI bonus is payable.
2 D Chin joined Oates on 24 October 2016 and is entitled to a prorata maximum STI equivalent.
3 D Birch left Oates on 28 February 2017 and is not entitled to STI for the year ended 30 June 2017.
4 On 1 May 2017, R Pattison was appointed to the role of Chief Executive Officer of the GUD Automotive Division (comprising Ryco, Wesfil, Brown & Watson, Griffiths Equipment, Goss and IMG) and is entitled to a prorata maximum STI equivalent.
5 T Richards left the GUD Group as a result of the sale of Dexion on 1 June 2017 and is therefore not entitled to STI for the year ended 30 June 2017.

The payments relate to STI bonus earned in the year ended 30 June 2017, approved by the Remuneration Committee on the 26 July 2017.

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

LTI

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.

Financial year	Underlying EBIT [1] $m	Underlying basic EPS [1] Cents	Total DPS [2] Cents	Opening share price $	Closing share price $	Dividend yield %	TSR percentile rank for the 3 year period ending
30 June 2013	56.4	52.5	52.0	8.60	5.99	8.7	37.0
30 June 2014	49.0	43.5	36.0	5.99	6.22	5.8	35.6
30 June 2015	51.6	45.2	42.0	6.22	8.84	4.8	56.8
30 June 2016	78.6	52.0	43.0	8.84	9.11	4.7	71.3
30 June 2017	83.6	60.5	46.0	9.11	12.91	3.6	91.2

1 Underlying EBIT and underlying basic EPS are presented before significant one-off items and are from continuing operations as reported in each year.
2 The DPS presented does not include special dividends. The following special dividends have been paid in the five-year period: 35 cents paid on 16 August 2012, 10 cents paid on 6 March 2013 and 10 cents paid on 3 September 2013.

The TSR rank for the year ended 30 June 2017 is within the top quartile of the comparator group. Consequently, in accordance with the plan rules, on 26 July 2017 the Board approved the full vesting of the performance rights which were due to vest in respect of the period ended 30 June 2017.

6. Service agreements

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

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

Name	Notice periods/termination payment
J P Ling	• Unlimited in term. • A notice period of six months by either party applies, except in the case of termination by the Company for cause. • On termination, Mr Ling is entitled to receive his statutory entitlements of accrued annual and long service leave.
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. • Mr Cooper is employed under a contract entered into in September 1996. That contract provides for 12 months' notice of termination by either party. • Apart from Mr Cooper, no current Senior Executive contract includes termination benefits additional to the notice period and statutory entitlements described above.

7. Non-Executive Directors' remuneration

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

Remuneration policy

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

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

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

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

Fees

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

The fees paid to Non-Executive Directors in the year ended 30 June 2017 are set out in the table below:

	Board	Audit, Risk & Compliance Committee	Remuneration Committee	Nominations Committee
Chairman of	270,536	15,000	15,000	Nil
Members of	108,214	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, all Directors hold shares, either directly or indirectly, in the Company. Details of Directors' shareholdings may be found earlier in this Report.

Superannuation

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

Remuneration

Details of the nature and amount of each element of the remuneration of Non-Executive Directors for the year ended 30 June 2017 are set out in the table below.

	Year	Directors' fees $	Superannuation [1] $	Total $
Non-Executive Directors				
R M Herron	**2017**	270,536	25,701	**296,237**
	2016	263,938	25,074	289,012
A L Templeman-Jones	**2017**	123,214	11,705	**134,919**
	2016	105,944	10,065	116,009
M G Smith	**2017**	108,214	10,280	**118,494**
	2016	105,575	10,030	115,605
G A Billings	**2017**	123,214	11,705	**134,919**
	2016	115,575	10,980	126,555
D D Robinson	**2017**	108,214	10,280	**118,494**
	2016	105,575	10,030	115,605
Total Remuneration of Non-Executive Directors	**2017**	**733,392**	**69,671**	**803,063**
	2016	696,607	66,178	762,785

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

8. Other KMP transactions

Loans to KMPs

There were no loans to KMPs at 30 June 2017 (2016: nil).

Other KMP transactions with the Group

Wesfil Australia Pty Ltd leases its Sydney premises from an entity related to Terry Cooper, a Director of Wesfil Australia Pty Ltd on terms no less favourable than arm's length commercial terms. Net rental expense was $432,368 excluding GST (2016: $419,567 excluding GST).

Apart from the details disclosed in this Remuneration Report, no KMP has entered into a material contract with the company or entities in the Group since the end of the previous financial year and there were no material contracts involving a KMP's Interest at year end.

A number of KMP, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. A number of these entities transacted with the Company or its subsidiaries in the reporting period. The terms and conditions of the transactions with KMPs and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-KMP related entities on an arms-length basis.

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

Consolidated Financial Statements

Consolidated Income Statement

For the year ended 30 June 2017

	Note	2017 $'000	2016^ Restated $'000
Revenue	2	**426,313**	409,326
Cost of goods sold		**(228,423)**	(210,879)
Gross Profit		**197,890**	198,447
Other income	2	**191**	799
Marketing and selling		**(55,219)**	(59,217)
Product development and sourcing	3	**(9,621)**	(1,663)
Logistics expenses and outward freight		**(24,509)**	(33,653)
Administration		**(24,909)**	(22,890)
Other expenses:			
Loss on revaluation of contingent consideration payable	3, 7	**-**	(10,555)
Impairment	3, 7	**-**	(1,000)
Other		**(652)**	(48)
Results from operating activities		**83,171**	70,220
Net finance expense	4	**(10,440)**	(13,960)
Profit before tax		**72,731**	56,260
Income tax expense	31	**(21,192)**	(20,698)
Profit from continuing operations, net of income tax		**51,539**	35,562
Loss from discontinued operation	33b	**(58,883)**	(78,283)
Loss from operations, net of income tax		**(7,344)**	(42,721)
Non-controlling interests		**-**	(318)
Loss attributable to owners of the Company		**(7,344)**	(43,039)
Earnings per share from continuing operations:			
Basic earnings per share (cents per share)	5	**60.1**	41.7
Diluted earnings per share (cents per share)	5	**59.5**	41.2
Earnings per share from discontinuing operations:			
Basic earnings per share (cents per share)	5	**(68.7)**	(92.2)
Diluted earnings per share (cents per share)	5	**(68.7)**	(92.2)

^ Prior year comparatives have been restated in accordance with the requirements of Australian Accounting Standards to separately disclose the contribution of businesses discontinued in the current year.

The notes on pages 41 to 95 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2017

	Note	**2017** $'000	2016^ Restated $'000
Profit for the year		**51,539**	35,562
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translating results of foreign operations	28	**(1,085)**	1,110
Net fair value adjustments recognised in the hedging reserve	28	**3,570**	2,362
Net change in fair value of cash flow hedges transferred to inventory	28	**26**	(10,551)
Transfers within equity on disposal	28	**618**	-
Equity settled share based payment transactions	28	**1,631**	1,399
Revaluation of contingent consideration receivable	31	**(3,284)**	355
Income tax on items that may be reclassified subsequently to profit or loss	31	**1,364**	2,350
Other comprehensive income / (loss) for the year, net of tax		**2,840**	(2,975)
Total comprehensive income from continuing operations, net of tax		**54,379**	32,588
Loss from discontinued operation, net of tax	33	**(58,883)**	(78,283)
Total comprehensive loss attributable to owners of the Company		**(4,504)**	(45,696)
Non-controlling interests	34	**-**	(318)
Total comprehensive loss		**(4,504)**	(43,039)

^ Prior year comparatives have been restated in accordance with the requirements of Australian Accounting Standards to separately disclose the contribution of businesses discontinued in the current year.

All of the above items may subsequently be recognised in the Income Statement.

The notes on pages 41 to 95 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 30 June 2017

	Note	**2017 $'000**	2016 $'000
Current assets			
Cash and cash equivalents	21	**10,238**	18,235
Trade and other receivables	8	**91,970**	118,813
Inventories	9	**93,080**	108,872
Derivative assets	23	**15**	144
Other financial assets	24	**3,182**	2,358
Current tax receivable		**58**	515
Other assets	10	**4,008**	5,488
Assets held for sale		**-**	88,927
Total current assets		**202,551**	343,352
Non-current assets			
Goodwill	16	**119,438**	110,394
Other intangible assets	17	**118,099**	119,478
Property, plant and equipment	18	**13,075**	33,295
Derivative assets	23	**48**	62
Other financial assets	24	**1,800**	2,359
Deferred tax assets	32	**6,284**	9,215
Investments		**3**	11
Total non-current assets		**258,747**	274,814
Total assets		**461,298**	618,166
Current liabilities			
Trade and other payables	11	**55,311**	81,291
Employee benefits	12	**11,022**	13,741
Restructuring provisions	13	**38**	37
Warranty provisions	14	**1,214**	731
Other provisions	15	**1,750**	16
Borrowings	22	**15,092**	18,550
Derivative liabilities	23	**878**	3,545
Other financial liabilities	24	**6,075**	19,367
Current tax payable		**9,485**	9,342
Liabilities held for sale		**-**	22,128
Total current liabilities		**100,865**	168,748
Non-current liabilities			
Employee benefits	12	**1,931**	2,039
Borrowings	22	**155,957**	167,483
Derivative liabilities	23	**1,525**	3,649
Deferred tax liabilities	32	**-**	1,515
Other non-current liabilities		**106**	91
Total non-current liabilities		**159,519**	174,777
Total liabilities		**260,384**	343,525
Net assets		**200,914**	274,641
Equity			
Share Capital	27	**112,880**	286,160
Reserves	28	**26,591**	1,910
Retained earnings	29	**61,443**	(44,940)
Total equity attributable to owners of the Company		**200,914**	243,130
Non-controlling interests	34	**-**	31,511
Total equity		**200,914**	274,641

The notes on pages 41 to 95 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2017

	Note	2017 $'000	2016 $'000
Balance at the beginning of the period		**274,641**	356,158
Comprehensive Income			
Profit for the period attributable to owners of the Company		**(7,344)**	(43,039)
Other Comprehensive Income attributable to owners of the Company		**1,209**	(4,374)
Equity settled share based payment transactions	28	**1,631**	1,399
Total Comprehensive Income attributable to owners of the Company		**(4,504)**	(46,014)
Transactions with owners recognised in equity			
Dividends paid	29	**(37,712)**	(35,821)
Total transactions with owners		**(37,712)**	(35,821)
Non-controlling interests			
De-recognition of non-controlling interests with change in control	34	**(31,511)**	-
Profit for the period attributable to non-controlling interests	34	**-**	318
Total changes in ownership interests		**(31,511)**	318
Balance at the end of the period		**200,914**	274,641

The amounts recognised directly in equity are net of tax.

The notes on pages 41 to 95 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 30 June 2017

	Note	**2017 $'000**	2016 $'000
Cash flows from operating activities			
Receipts from customers		**621,828**	771,933
Payments to suppliers and employees		**(556,540)**	(692,415)
Income taxes paid		**(19,982)**	(9,326)
Net cash provided by operating activities	21	**45,306**	70,192
Cash flows from investing activities			
Acquisition of controlled entity, net of cash acquired	33a	**(33,198)**	(194,323)
Proceeds from sale of investments, net of cash disposed of	33b	**38,283**	16,224
Payments for property, plant and equipment	18	**(5,363)**	(7,483)
Proceeds from sale of property, plant and equipment		**343**	21
Payments for intangible assets and product development costs	17	**(22)**	(3,345)
Net cash (used in)/provided by investing activities		**43**	(188,906)
Cash flows from financing activities			
Proceeds of borrowings		**101,420**	279,415
Repayment of borrowings		**(111,508)**	(133,877)
Proceeds on loans receivable		**2,401**	-
Interest received		**123**	730
Interest paid		**(9,723)**	(13,486)
Dividends paid	29	**(37,712)**	(35,821)
Net cash used in financing activities		**(54,999)**	96,961
Net increase in cash held		**(9,650)**	(21,753)
Cash at the beginning of the year		**19,961**	42,947
Effects of exchange rate changes on the balance of cash held in foreign currencies		**(73)**	(1,233)
Cash at the end of the year	21	**10,238**	19,961

The notes on pages 41 to 95 are an integral part of these consolidated financial statements.

1. Basis of preparation

This section sets out the Group's accounting policies that relate to the financial statements as a whole. Where an accounting policy is specific to one note, the policy is described in the note to which it relates.

Reporting Entity

GUD Holdings Limited (the 'Company') is a for profit company domiciled in Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2017 comprise the Company and its subsidiaries (together referred to as the 'Group').

The Group is primarily involved in manufacture and importation, distribution and sale of cleaning products, automotive products, pumps, pool and spa systems, and water pressure systems, with operations in Australia, New Zealand, France, Spain, China, Malaysia and Hong Kong (Note 7).

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2017 are available on request from the Company's registered office at 29 Taras Avenue, Altona North, Victoria, 3025 or at www.gud.com.au.

Basis of Accounting

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

The consolidated financial statements were authorised for issue by the Directors on 27 July 2017.

Rounding off

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with the Rounding Instrument, amounts in the financial statements have been rounded off to the nearest thousand dollars, unless otherwise stated.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following items which have been measured at fair value:

- Derivatives (Note 23)
- Other financial instruments (Note 24)

Use of estimates and judgements

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included in the following notes:

- Goodwill (Note 16) and other intangible assets (Notes 17, 33)
- Inventories (Note 9)
- Financial instruments (Note 25)
- Other financial instruments – contingent consideration (Note 24)

1. Basis of preparation (continued)

Foreign currency

Functional and presentation currency

These consolidated financial statements are presented in Australian dollars which is the Company's functional currency and the functional currency of the majority of the Group.

Foreign currency transactions

Transactions in foreign currency are translated to the respective functional currencies of Group companies at the exchange rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currency are translated to the functional currency at the exchange rates prevailing at the reporting date.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

However, foreign currency differences arising from the translation of the following items are recognised in other comprehensive income:

- Qualifying cash flow hedges to the extent the hedges are effective (Note 28), and
- Exchange differences on translating foreign operations (Note 28).

New standards and interpretations adopted in the year

A number of new standards and amendments to standards are effective for annual periods beginning after 1 July 2017 and earlier application is permitted. However the Group has not applied the following new or amended standards in preparing these consolidated financial statements.

New or amended standards	Summary of the requirement	Possible impact on consolidated financial statements
IFRS 9 Financial instruments	IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments; Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.	The group acknowledges that changes as a result of IFRS 9 may result in earlier recognition of impairment losses on receivables. The group currently applies IAS 39 to account for hedge accounting of foreign exchange exposures, which the group predicts will qualify for hedge accounting per IFRS 9. As a result, present hedge relationships are expected to continue to be treated as hedges.
IFRS 15 Revenue from Contracts with Customers	IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. It provides a five step model that applies to all customer contracts and it aims to better reflect the consideration that an entity expects to receive from customers in exchange for its goods and services. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.	The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15. Following the sale of the Dexion business, which was expected to be a key source of accounting complexity under IFRS 15, the Group now expects the focus of the transition project to be on the accounting treatment applied to rebate and other incentive arrangements provided to customers. As part of the impact assessment, the Group is evaluating various transition options provided in the standard.

1. Basis of preparation (continued)

New standards and interpretations adopted in the year (continued)

New or amended standards	Summary of the requirement	Possible impact on consolidated financial statements
IFRS 16 Leases	The standard removes the classification of leases as either operating leases or finance leases for the lessee, effectively treating all leases as finance leases. This will effectively move all off-balance sheet operating leases onto the balance sheet that is similar to current finance lease accounting. The application date of this standard is 1 January 2019. Early adoption is permitted but only in conjunction with adopting IFRS 15.	The Group has completed a preliminary assessment of the potential impact on the consolidated financial statements resulting from the application of IFRS 16 with respect to existing leases (primarily in relation to property and motor vehicles) for continuing operations. As part of the impact assessment, the Group is evaluating the various transition options provided in the standard. The standard will have an impact on key financial measures such as EBITDA, EBIT and net assets, due to IFRS 16 replacing straight line operating lease expenses with a depreciation charge for the lease asset and interest expense for the lease liability. The extent of the potential impact is under evaluation in parallel to a number of lease renegotiations.

The Group does not plan to adopt these standards early.

Results for the Year

This section focuses on the Group's performance. Disclosures in this section include analyses of the Group's profit before tax by reference to the activities performed by the Group and analysis of key revenues and operating costs, segmental information, net finance costs and earnings per share.

Underlying earnings before interest, tax ("EBIT") and before exceptional items remain the Group's key profit indicators. This reflects how the business is managed and how the Directors assess the performance of the Group.

2. Revenue

Accounting policies

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of the revenue can be measured reliably. Revenue is measured net of returns and allowances, trade discounts and volume rebates.

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. When 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. Otherwise, contract revenue is recognised only to the extent of contract costs incurred that are likely to become recoverable.

Contract expenses are recognised as incurred unless they create an asset related to future contract activity. An expected loss on a contract is recognised immediately in profit or loss.

Dividend income

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

Goods and services tax

Revenues are recognised net of the amount of goods and services tax (GST).

This table summarises revenue from continuing operations:

	2017	2016^
		Restated
	$'000	$'000
Revenue		
Sale of goods	**426,313**	409,326
Total revenue	**426,313**	409,326
Other income		
Other	**191**	799
Total other income	**191**	799

^ Prior year comparatives have been restated in accordance with the requirements of Australian Accounting Standards to separately disclose the contribution of businesses discontinued in the current year.

3. Expenses

Accounting policies

Depreciation

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

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

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

3. Expenses (continued)

Amortisation

The value of intangible assets, with the exception of goodwill, and indefinite life intangible assets reduces over the number of years the Group expects to use the asset, via an amortisation charge. Amortisation is recognised in the income statement over the following number of years:

- Patents, licences and distribution rights — 3 to 5 years
- Customer relationships — 5 to 15 years
- Software — 5 to 7 years

Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Goods and services tax

Expenses are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of an item of expense.

Expenses by nature

This table summarises expenses by nature from continuing operations:

	Note	2017 $'000	2016^ Restated $'000
Profit before income tax has been arrived at after charging the following expenses:			
Write-Up/(write-back) to value of inventory obsolescence provision		**454**	736
Loss/(gain) on sale of plant and equipment		**344**	68
Operating lease rental expense: Minimum lease payments		**9,087**	8,360
Net foreign exchange (gain)/loss		**2,389**	(3,366)
Employee benefits:			
Wages and salaries (including on-costs)		**71,460**	60,759
Contributions to defined contribution plans		**3,345**	3,235
Movements in provisions for employee benefits		**(907)**	82
Equity settled share based payment expense	27	**1,453**	1,163
Depreciation and amortisation:			
Amortisation and impairment of product development costs	17	**283**	107
Amortisation of customer relationships	17	**222**	-
Amortisation of other intangibles	17	**49**	48
Depreciation of plant and equipment	18	**3,543**	3,552
Depreciation of leased plant and equipment	18	**11**	19
Total depreciation and amortisation		**4,108**	3,726
Product development and sourcing costs		**9,621**	1,663
Non-underlying costs:			
Transaction expenses	33a	**192**	-
Restructuring expenses		**190**	-
Impairment of inventory	9	**-**	1,000
Loss on revaluation of contingent consideration		**-**	10,555
Total non-underlying costs		**382**	11,555

^ Prior year comparatives have been restated in accordance with the requirements of Australian Accounting Standards to separately disclose the contribution of businesses discontinued in the current year.

4. Net finance costs

Accounting policies

Finance income

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

Finance costs

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

This table summarises net finance costs from continuing operations:

	2017	2016^ Restated
	$'000	$'000
Finance costs:		
Interest income	**(122)**	(593)
Interest expense	**9,177**	12,383
Financial assets / liabilities measured at fair value through the profit and loss	**548**	812
Net foreign exchange (gain) / loss	**73**	557
Unwinding of discount on contingent consideration payable	**764**	801
Net finance costs	**10,440**	13,960

^ Prior year comparatives have been restated in accordance with the requirements of Australian Accounting Standards to separately disclose the contribution of businesses discontinued in the current year.

The ineffective portion of cash flow hedges that is recognised in the income statement is nil (2016: nil).

5. Earnings per share

Earnings per share ('EPS') is the amount of profit attributable to each share. Basic EPS is calculated on the Group profit for the year attributable to equity shareholders divided by the weighted average number of shares on issue during the year.

Diluted EPS reflects any commitments the Group has to issue shares in the future, such as issued upon vesting of performance rights.

	Continuing operations		**Discontinuing operations**	
	2017	2016^ Restated	**2017**	2016^ Restated
	$'000	$'000	**$'000**	$'000
Profit / (loss) for the period	**51,539**	35,562	**(58,883)**	(78,601)
	Number	Number	**Number**	Number
Weighted average number of ordinary shares used as the denominator for basic EPS	**85,692,094**	85,290,956	**85,692,094**	85,290,956
Effect of balance of performance rights outstanding at 30 June 2017	**939,951**	1,028,185	**939,951**	1,028,185
Weighted average number of ordinary shares used as the denominator for diluted EPS	**86,632,045**	86,319,141	**86,632,045**	86,319,141
EPS	**Cents per share**	Cents per share	**Cents per share**	Cents per share
Basic EPS	**60.1**	41.7	**(68.7)**	(92.2)
Diluted EPS	**59.5**	41.2	**(68.7)**	(92.2)

^ Prior year comparatives have been restated in accordance with the requirements of Australian Accounting Standards to separately disclose the contribution of businesses discontinued in the current year.

6. Auditors' remuneration

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

	2017	2016
	$	$
Audit and review services:		
The auditor of GUD Holdings Limited		
- audit and review of financial reports	**690,038**	733,632
Other auditors:		
- audit and review of financial reports	**21,860**	21,602
	711,898	755,234
Other services:		
The auditor of GUD Holdings Limited		
- in relation to other assurance, advisory, taxation and due diligence services [1]	**422,778**	372,313
Other auditors:		
- in relation to other assurance, advisory, taxation and due diligence services [2]	**-**	15,000
	422,778	387,313

1 In relation to services rendered in conjunction with the acquisitions of GEL ANZ and IMG (Note 33a) and the disposal of Lock Focus (Note 33b).

7. Segment information

Segment reporting is presented in respect of the Group's business and geographical segments. The primary format business segments are reported based on the way information is reviewed by the Group's Managing Director.

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

Business segments

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

Oates

Importer and distributor of cleaning products to retail and commercial customers

Automotive

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

Davey

Pumps and pressure systems for household and farm water, water transfer pumps, swimming pool products, spa bath controllers and pumps and water purification equipment.

Discontinued operations

Discontinued operations consist of the Sunbeam business sold on 1 July 2016, the Lock Focus business sold on 1 December 2016 and the Dexion business sold on 1 June 2017.

Geographical segments

The Group operates primarily in one geographical segment: Australasia.

7. Segment information (continued)

	For the year ended 30 June 2017						
Business segments	**Oates $'000**	**Automotive $'000**	**Davey $'000**	**Unallocated $'000**	**Continuing operations $'000**	**Discontinued operations $'000**	**Total $'000**
Total segment revenue (external)	**69,447**	**254,423**	**102,462**	**(19)**	**426,313**	**146,301**	**572,614**
Underlying EBITDA pre impairment costs	**9,483**	**75,711**	**10,522**	**(8,055)**	**87,661**	**(373)**	**87,288**
Less: Depreciation	(776)	(1,645)	(1,129)	(4)	(3,554)	(2,069)	(5,623)
Less: Amortisation and impairment of intangibles	(19)	(222)	(264)	(49)	(554)	(289)	(843)
Underlying EBIT pre impairment costs	**8,688**	**73,844**	**9,129**	**(8,108)**	**83,553**	**(2,731)**	**80,822**
Transaction costs [1]	-	(192)	-	-	(192)	(3,057)	(3,249)
Losses on sale of subsidiaries [2]	-	-	-	-	-	(50,683)	(50,683)
Restructuring	(151)	(39)	-	-	(190)	(3,643)	(3,833)
Segment result (EBIT)	**8,537**	**73,613**	**9,129**	**(8,108)**	**83,171**	**(60,114)**	**23,057**
Net finance costs	(100)	(620)	(221)	(9,499)	(10,440)	(449)	(10,889)
Share of loss of equity-accounted investees	-	-	-	-	-	3,993	3,993
Profit / (loss) before tax	**8,437**	**72,993**	**8,908**	**(17,607)**	**72,731**	**(56,570)**	**16,161**
Tax expense					(21,192)	(2,313)	(23,505)
Profit / (loss)					**51,539**	**(58,883)**	**(7,344)**
Non-controlling interest					-	-	-
Profit / (loss) attributable to owners of the Company					**51,539**	**(58,883)**	**(7,344)**
Segment goodwill	5,166	78,636	35,636	-	119,438	-	119,438
Segment brand names	8,900	99,682	3,215	-	111,797	-	111,797
Segment customer relationships	-	4,219	-	-	4,219	-	4,219
Segment other assets	27,400	136,907	62,260	(1,347)	225,220	624	225,844
Segment assets	**41,466**	**319,444**	**101,111**	**(1,347)**	**460,674**	**624**	**461,298**
Segment liabilities	**11,769**	**42,659**	**16,239**	**189,563**	**260,230**	**154**	**260,384**
Segment capital expenditure	**168**	**1,783**	**1,262**	**16**	**3,229**	**2,156**	**5,385**

1 Transaction costs in the Automotive segment relate to the acquisitions of GEL ANZ and IMG (Note 33a). Transaction costs incurred in discontinued operations relate to the disposals of Dexion and Lock Focus (Note 33b).
2 Losses on sale of subsidiaries comprises a losses on sale of Dexion ($45.252 million), Lock Focus of ($3.935 million) and Sunbeam ANZ ($1.496 million).

7. Segment information (continued)

	For the year ended 30 June 2016						
Business segments	Oates $'000	Automotive $'000	Davey $'000	Unallocated $'000	Continuing operations ^ Restated $'000	Discontinued operations ^ Restated $'000	Total $'000
Total segment revenue (external)	**71,958**	**229,859**	**107,526**	**(17)**	**409,326**	**300,619**	**709,945**
Underlying EBITDA pre impairment costs	**11,030**	**68,195**	**13,368**	**(7,092)**	**85,501**	**6,301**	**91,818**
Less: Depreciation	(793)	(1,523)	(1,244)	(11)	(3,571)	(3,877)	(7,448)
Less: Amortisation and impairment of intangibles	(42)	-	(65)	(48)	(155)	(3,400)	(3,555)
Underlying EBIT pre impairment costs	**10,195**	**66,672**	**12,059**	**(7,151)**	**81,775**	**(960)**	**80,815**
Impairment costs[1]	-	-	(1,000)	-	(1,000)	(75,697)	(76,697)
Loss on revaluation of contingent consideration payable[2]	-	-	-	(10,555)	(10,555)	-	(10,555)
Restructuring	-	-	-	-	-	(966)	(966)
Segment result (EBIT)	**10,195**	**66,672**	**11,059**	**(17,706)**	**70,220**	**(77,623)**	**(7,403)**
Net finance costs	(15)	(1,384)	(309)	(12,252)	(13,960)	(1,108)	(15,068)
Share of loss of equity-accounted investees	-	-	-	-	-	(2,329)	(2,329)
Profit / (loss) before tax	**10,180**	**65,288**	**10,750**	**(29,958)**	**56,260**	**(81,060)**	**(24,800)**
Tax expense					(20,698)	2,777	(17,921)
Profit / (loss)					**35,562**	**(78,283)**	**(42,721)**
Non-controlling interest					-	(318)	(318)
Profit / (loss) attributable to owners of the Company					**35,562**	**(78,601)**	**(43,039)**
Segment goodwill	5,166	64,287	35,641	-	105,094	5,300	110,394
Segment brand names	8,900	99,500	3,215	-	111,615	25,402	137,017
Segment customer relationships	-	4,441	-	-	4,441	-	4,441
Segment other assets	28,522	112,931	61,293	(1,936)	200,810	165,504	366,314
Segment assets	**42,588**	**281,159**	**100,149**	**(1,936)**	**421,960**	**196,206**	**618,166**
Segment liabilities	**10,857**	**32,629**	**16,734**	**207,457**	**267,677**	**75,848**	**343,525**
Segment capital expenditure	**932**	**1,826**	**1,409**	**2**	**4,171**	**6,673**	**10,824**

^ Prior year comparatives have been restated in accordance with the requirements of Australian Accounting Standards to separately disclose the contribution of businesses discontinued in the current year.

1 Impairment costs relate to costs recognised in profit or loss attributable to impairment of Dexion goodwill ($59.5 million, Note 16), brandnames ($10.3 million, Note 17), inventory ($4 million, Note 9), product development costs ($1.9 million, Note 17) and impairment of Davey inventory ($1 million, Note 9).

2 Loss on contingent consideration payable relates to loss recognised on earn-out payable for the acquisition of Brown & Watson.

Working Capital

Working capital represents the assets and liabilities the Group generates through its trading activity. The Group therefore defines working capital as inventory, trade and other receivables, trade and other payables and provisions.

Careful management of working capital ensures that the Group can meet its trading and financing obligations within its ordinary operating cycle.

This section provides further information regarding working capital management and analysis of the elements of working capital.

8. Trade and other receivables

Accounting policies

Trade receivables

Trade and other receivables are non-derivative financial instruments that are initially recognised at fair value plus any directly attributable costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less identified impairment.

Goods and services tax

Trade receivables are recognised inclusive of the amount of goods and services tax (GST) which is payable to taxation authorities. The net amount of GST payable to the taxation authority is included as part of payables.

This table summarises trade and other receivables related to continuing operations at 30 June 2017 and all operations at 30 June 2016:

	2017	2016
	$'000	$'000
Current		
Trade receivables	**92,667**	110,316
Less: Allowance for doubtful debts	**(697)**	(829)
Net trade receivables	**91,970**	109,487
Accrued revenue	**-**	9,326
Other receivables	-	9,326
	91,970	118,813

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.

	2017	2016
	$'000	$'000
Movement in allowance for doubtful debts		
Balance at the beginning of the year	**(829)**	(879)
Acquisitions through business combinations	**-**	(101)
Disposed through business combinations	**161**	-
Doubtful debts recognised	**(508)**	(19)
Amounts written off as uncollectible	**479**	170
Balance at the end of the year	**(697)**	(829)

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

8. Trade and other receivables (continued)

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

2017 Ageing of trade receivables	**Gross** **$'000**	**Impairment** **$'000**	**Net** **$'000**
Not past due	80,024	(25)	79,999
Past due 1 - 60 days	11,077	(465)	10,612
Past due 61 - 120 days	1,308	(115)	1,193
Past due 121 - 365 days	157	(12)	145
Past due more than one year	101	(80)	21
Total trade receivables	92,667	(697)	91,970

2016 Ageing of trade receivables	**Gross** **$'000**	**Impairment** **$'000**	**Net** **$'000**
Not past due	71,039	(169)	70,870
Past due 1 - 60 days	29,698	(137)	29,561
Past due 61 - 120 days	5,847	(139)	5,708
Past due 121 - 365 days	3,329	(271)	3,058
Past due more than one year	403	(113)	290
Total trade receivables	110,316	(829)	109,487

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

9. Inventories

Accounting policies

Inventories

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

Goods and services tax

Non-financial assets such as inventories are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of the asset.

This table summarises inventories related to continuing operations at 30 June 2017 and all operations at 30 June 2016:

	2017 **$'000**	2016 $'000
Current		
Raw materials and stores	**10,669**	16,588
Work in progress	**908**	2,161
Finished goods	**81,503**	90,123
Total inventory	**93,080**	108,872

Inventories disclosed above are net of the provision for obsolescence. Increases or write-backs of the provision are recognised in cost of goods sold (Note 3).

10. Other assets

This table summarises other assets related to continuing operations at 30 June 2017 and all operations at 30 June 2016:

	2017	2016
	$'000	$'000
Current		
Prepayments	**3,026**	3,868
Other	**982**	1,620
	4,008	5,488

11. Trade and other payables

Accounting policies

Payables

Trade payables and other accounts payable are non-derivative financial instruments measured at cost.

Goods and services tax

Trade payables are recognised inclusive of the amount of goods and services tax (GST) which is recoverable from taxation authorities. The net amount of GST recoverable from the taxation authority is included as part of receivables.

This table summarises trade and other payables related to continuing operations at 30 June 2017 and all operations at 30 June 2016:

	2017	2016
	$'000	$'000
Current		
Accrued expenses	**20,174**	17,710
Trade payables	**35,137**	58,090
Deferred income	-	5,491
Trade payables and accrued expenses	**55,311**	81,291

No interest is incurred on trade payables.

12. Employee benefits

Accounting policies

Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement and including on-costs associated with employment.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when incurred.

12. Employee benefits (continued)

This table summarises employee provisions related to continuing operations at 30 June 2017 and all operations at 30 June 2016:

	2017 $'000	2016 $'000
Current	**11,022**	13,741
Non-current	**1,931**	2,039
	12,953	15,780
Accrued wages and salaries	**642**	945
	13,595	16,725

Accrued wages and salaries are included in accrued expenses in Note 11.

13. Restructuring provisions

Accounting policies

Restructuring

A provision for restructuring is recognised when the Group 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.

Onerous contracts

An onerous contract is considered to exist where the Group 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.

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.

This table summarises restructuring provisions related to continuing operations at 30 June 2017 and all operations at 30 June 2016:

	Note	2017 $'000	2016 $'000
Current		**38**	37
Non-current		**-**	-
		38	37
Carrying amount at beginning of year		**37**	276
Provisions recognised		**38**	-
Payments made during the year		**-**	(251)
Disposed through divestments	33b	**(37)**	
Net foreign currency difference arising on translation of foreign operations		**-**	12
Carrying amount at end of year		**38**	37

The payments made against the provision for restructuring represents the costs of redundancies.

14. Warranty provisions

Accounting policy

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 Group's liability.

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 Group'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.

Warranty provisions are all current.

This table summarises warranty provisions related to continuing operations at 30 June 2017 and all operations at 30 June 2016:

	Note	**2017 $'000**	2016 $'000
Carrying amount at beginning of year		**731**	1,921
Provisions recognised		**4,364**	2,502
Payments made during the year		**(3,839)**	(2,483)
Reclassification as liabilities held for sale		**-**	(1,216)
Disposed through divestments	33b	**(40)**	
Net foreign currency difference arising on translation of foreign operations		**(2)**	7
Carrying amount at end of year		**1,214**	731

15. Other provisions

Accounting policy

Other

Other provisions are recognised at the date a commitment is made, at the Directors' best estimate of the future sacrifice of economic benefits that will be required under that commitment.

This table summarises other provisions related to continuing operations at 30 June 2017 and all operations at 30 June 2016:

	Note	**2017 $'000**	2016 $'000
Carrying amount at beginning of year		**16**	107
Provisions recognised		**1,750**	-
Payments made during the year		**(16)**	91
Carrying amount at end of year		**1,750**	16

Tangible and Intangible Assets

The following section shows the physical tangible and non-physical intangible assets used by the Group to operate the business.

Intangible assets include brands, customer relationships, patents, licences, software development, distribution rights and goodwill.

This section explains the accounting policies applied and the specific judgements and estimates made by the Directors in arriving at the net book value of these assets.

16. Goodwill

Accounting policies

Goodwill

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

Goodwill is recognised as an asset and not amortised, but tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

This table summarises the movement in goodwill:

	Note	**2017** **$'000**	2016 $'000
Gross carrying amount			
Balance at the beginning of the year		**110,394**	106,787
Acquisitions through business combinations	33a	**14,371**	62,791
Disposed through divestments	33b	**(5,300)**	-
Impairment		**-**	(59,509)
Net foreign currency difference arising on translation of financial statements of foreign operations		**(27)**	325
Balance at the end of the year		**119,438**	110,394

17. Other intangible assets

Accounting policies

Product development costs

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

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

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

Product development assets are stated at cost less accumulated amortisation and impairment, and are amortised on a straight-line basis over their useful lives, which is up to a maximum of 3 years (Note 3).

17. Other intangible assets (continued)

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 (Note 19).

Other intangible assets

Other intangible assets that are acquired by the Group, which have finite lives, are measured at cost less accumulated amortisation (Note 3) and accumulated impairment losses.

The carrying value is tested for impairment as part of the annual testing of cash generating units (Note 19).

This table summarises other intangible assets related to continuing operations at 30 June 2017 and all operations at 30 June 2016:

$'000	Note	Product Development Costs	Brand, Business Names & Trademarks	Patents, Licences & Distribution Rights	Software	Customer Relationships	Total
Gross carrying amount							
Balance at 30 June 2015		**31,298**	**50,249**	**1,240**	**7,424**	**1,449**	**91,660**
Additions from business combinations		-	98,500	-	-	4,441	102,941
Additions from internal developments		351	-	-	-	-	351
Additions		-	-	-	76	-	76
Disposals		(2,619)	-	(10)	(5)	-	(2,634)
Transfers		335	-	-	-	-	335
Reclassification to assets held for sale		(22,190)	(25,062)	(958)	-	-	(48,210)
Foreign currency movements		-	255	-	49	-	304
Balance at 30 June 2016		**7,175**	**123,942**	**272**	**7,544**	**5,890**	**144,823**
Additions from business combinations	33a	-	182	139	-	-	321
Disposed through divestments	33b	(4,422)	(12,323)	-	(7,388)	(1,449)	(25,582)
Additions from internal developments		4	-	-	-	-	4
Additions		-	-	-	18	-	18
Transfers		144	-	-	-	-	144
Foreign currency movements		-	(4)	-	(29)	-	(33)
Balance at 30 June 2017		**2,901**	**111,797**	**411**	**145**	**4,441**	**119,695**
Accumulated amortisation							
Balance at 30 June 2015		**(20,373)**	**(1,886)**	**(1,225)**	**(5,707)**	**(1,376)**	**(30,567)**
Amortisation expense		(745)	-	-	(634)	(73)	(1,452)
Disposals		2,537	-	10	5	-	2,552
Impairment		(1,917)	(10,332)	-	-	-	(12,249)
Reclassification to assets held for sale		15,922	-	943	-	-	16,865
Transfers		(319)	-	-	-	-	(319)
Foreign currency movements		-	(109)	-	(66)	-	(175)
Balance at 30 June 2016		**(4,895)**	**(12,327)**	**(272)**	**(6,402)**	**(1,449)**	**(25,345)**
Amortisation expense		(289)	-	-	(332)	(222)	(843)
Disposed through divestments	33b	4,227	12,323	-	6,575	1,449	24,574
Foreign currency movements		-	4	-	14	-	**18**
Balance at 30 June 2017		**(957)**	**-**	**(272)**	**(145)**	**(222)**	**(1,596)**
Carrying amount							
As at 30 June 2016		2,280	111,615	-	1,142	4,441	119,478
As at 30 June 2017		**1,944**	**111,797**	**139**	**-**	**4,219**	**118,099**

Amortisation is recognised as an expense in Note 3.

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

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

18. Property, plant and equipment

Accounting policies

Property, plant and equipment

Property, plant and equipment and leasehold improvements are stated at cost less accumulated depreciation (Note 3) and impairment.

Cost includes expenditure that is directly attributable to the acquisition of the item.

If there has been a technological change or decline in business performance the Directors review the value of the assets to ensure they have not fallen below their depreciated value. If an asset's value falls below its depreciated value an additional one-off impairment charge is made against profit.

Leased 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.

This table summarises the movement in gross carrying amount, accumulated amortisation and written down value of property, plant and equipment:

	Note	Leased assets $'000	Plant and Equipment $'000	Total $'000
Gross carrying amount				
Balance at 30 June 2015		**100**	**91,209**	**91,309**
Additions from business combinations		-	7,201	7,201
Additions		-	6,380	6,380
Disposals		-	(1,694)	(1,694)
Reclassification to assets held for sale		-	(16,306)	(16,306)
Transfers		-	(335)	(335)
Foreign currency movements		-	(527)	(527)
Balance at 30 June 2016		**100**	**85,928**	**86,028**
Additions from business combinations	33a	113	1,726	1,839
Disposed through divestments	33b	-	(40,986)	(40,986)
Additions		-	5,363	5,363
Disposals		-	(3,974)	(3,974)
Transfers		(100)	100	-
Foreign currency movements		-	(242)	(242)
Balance at 30 June 2017		**113**	**47,915**	**48,028**

18. Property, plant and equipment (continued)

	Note	Leased assets $'000	Plant and Equipment $'000	Total $'000
Accumulated depreciation and amortisation				
Balance at 30 June 2015		**(23)**	**(57,244)**	**(57,267)**
Additions from business combinations		-	(4,553)	(4,553)
Depreciation expense		(19)	(6,016)	(6,035)
Disposals		-	1,348	1,348
Reclassification to assets held for sale		-	13,396	13,396
Transfers		-	319	319
Foreign currency movements		-	59	59
Balance at 30 June 2016		**(42)**	**(52,691)**	**(52,733)**
Additions from business combinations	33a	(15)	(1,040)	(1,055)
Disposed through divestments	33b	-	21,223	21,223
Depreciation expense		(11)	(5,612)	(5,623)
Disposals		-	3,143	3,143
Transfers		53	(53)	-
Foreign currency movements		-	92	92
Balance at 30 June 2017		**(15)**	**(34,938)**	**(34,953)**
Carrying amount				
As at 30 June 2016		**58**	**33,237**	**33,295**
As at 30 June 2017		**98**	**12,977**	**13,075**

Depreciation is recognised as an expense in Note 3.

Acquisitions include the acquisition of GEL ANZ and IMG (Note 33a). Disposals include the sales of Dexion and Lock Focus (Note 33b).

19. Impairment testing

Accounting policies

Impairment of property, plant, equipment and intangible assets

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

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

The recoverable amount is the higher of fair value less costs 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 (other than goodwill) is recognised in the income statement immediately. Any impairment of goodwill is not subsequently reversed.

19. Impairment testing (continued)

Results

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

All intangible assets with indefinite lives (goodwill and brand names), have been allocated for impairment testing purposes to CGUs (or groups of units).

Each CGU's recoverable amount has been tested on the basis of its value in use. The value in use calculation uses assumptions including cash flow projections based on Board approved budgets for the 2018 (2016: based on 2017 budget) year and forecasts for a further 4 years which are extrapolated in perpetuity using a long term average growth rate of 3% consistent with the sectors in which the CGUs operate. The values assigned reflect past experience or, if appropriate, are consistent with external sources of information.

The following summarises the pre-tax discount rates applied to cash flows of each CGU for the years ended 30 June 2016 and 2017:

	2017	**2016**
Automotive	13.2-14.0%	13.2-14.0%
Oates	12.2-13.0%	12.9-13.7%
Davey	13.0-13.9%	14.1-15.0%

With regards to all the CGU's, management have determined that, given the significant excess of future cash flows over asset carrying value (headroom), there are no reasonable possible changes in key assumptions which could occur to cause the carrying amount of these CGU's to exceed its recoverable amount.

The directors have assessed that no impairment charge is required in relation to the intangible assets for the year ended 30 June 2017.

20. Commitments for expenditure

Plant & equipment

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

	2017	2016 ^Restated
	$'000	$'000
Within 1 year	722	-
Between 1 and 5 years	-	-
Later than 5 years	-	-
	722	-

^ Prior year comparatives have been restated in accordance with the requirements of Australian Accounting Standards to separately disclose the contribution of businesses discontinued in the current year.

Operating leases

Future non-cancellable operating lease commitments not provided for and payable are as follows:

	2017	**2017**	2016 ^Restated	2016 ^Restated
	Buildings	**Other**	Buildings	Other
	$'000	**$'000**	$'000	$'000
Within 1 year	8,684	1,438	7,365	1,227
Between 1 and 5 years	26,674	1,876	23,840	1,805
Later than 5 years	13,640	-	18,274	316
	48,998	3,314	49,479	3,348

^ Prior year comparatives have been restated in accordance with the requirements of Australian Accounting Standards to separately disclose the contribution of businesses discontinued in the current year.

The Group leases a number of premises throughout Australia and New Zealand. The rental period of each individual lease agreement varies between one and ten years with renewal options ranging from one to five years. The majority of lease agreements are subject to rental adjustments in line with movements in the Consumer Price Index or market rentals. The leases do not include an option to purchase the leased assets at the expiry of the lease period. The Group 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.

20. Commitments for expenditure (continued)

Finance leases

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

Future non-cancellable finance lease commitments not provided for and payable are as follows:

	2017 **$'000**	2016 ^Restated $'000
Minimum future lease payments:		
Within 1 year	-	2
Between 1 and 5 years	-	-
Later than 5 years	-	-
Total finance lease commitment	-	2
Less: Future finance lease charges	-	-
Finance lease liability	-	2
Present value of minimum future lease payments:		
Within 1 year	-	2
Between 1 and 5 years	-	-
Later than 5 years	-	-
	-	2

^ Prior year comparatives have been restated in accordance with the requirements of Australian Accounting Standards to separately disclose the contribution of businesses discontinued in the current year.

Lease liabilities provided for in the consolidated financial statements are disclosed in Note 22.

Capital Structure and Financing Costs

This section outlines how the Group manages its capital structure and related financing costs, including its balance sheet liquidity and access to capital markets.

The directors determine the appropriate capital structure of the Group, how much is realised from shareholders and how much is borrowed from financial institutions to finance the Group's activities now and in the future.

This section details the interest income generated on the Group's cash and other financial assets and the interest expense incurred on borrowings and other financial assets and liabilities. The presentation of these net financing costs in this note reflects income and expenses according to the classification of the financial instruments.

21. Cash and cash equivalents

Accounting policies

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts and non-derivative financial instruments.

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

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

	Note	**2017 $'000**	2016 $'000
Current			
Cash and cash equivalents in the balance sheet	25	**10,238**	18,235
Cash and cash equivalents reclassified as held for sale		**-**	1,726
Total cash and cash equivalents		**10,238**	19,961

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

	2017 $'000	2016 $'000
Profit / (loss) from operations, net of income tax	**(7,344)**	(42,721)
Share of loss of equity accounted investees	**(3,993)**	2,329
Losses on sale of subsidiaries	**50,683**	-
Depreciation and amortisation	**6,466**	11,003
Impairment of goodwill	**-**	59,448
Impairment of brand names	**-**	10,332
Impairment of inventory	**-**	5,000
Impairment of product development	**-**	1,917
Loss on revaluation of contingent consideration payable	**-**	10,555
Unwind of discount on contingent consideration payable	**764**	801
Interest received	**(123)**	(730)
Interest paid	**9,723**	13,486
Loss on sale of property, plant and equipment	**488**	38
Changes in working capital assets and liabilities:		
Increase/(decrease) in net tax liability	**3,522**	6,901
(Increase)/decrease in inventories	**(7,564)**	2,574
(Increase)/decrease in trade receivables	**(4,403)**	(9,372)
(Increase)/decrease in other assets	**128**	4,643
Increase/(decrease) in provisions	**675**	(976)
Increase/(decrease) in payables	**(2,263)**	(8,167)
Increase/(decrease) in derivatives	**(1,453)**	3,131
Net cash provided by/(used in) operating activities	**45,306**	70,192

22. Borrowings

Accounting policies

Borrowings

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

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 (excluding Sunbeam Corporation Limited and Sunbeam NZ Corporation Limited) have entered into a deed of cross guarantee. GUD Holdings Limited has a contingent liability to the extent of the bank overdraft debt incurred by its controlled entities. Interest on bank overdrafts is charged at prevailing market rates. The weighted average interest rate for all overdrafts as at 30 June 2017 is 4.44% (2016: 4.17%).

Unsecured bank loans

The two tranches of the unsecured bank loan in accordance with the Common Terms Deed are summarised below:

	Facilities as at 30 June 2017		Facilities as at 30 June 2016	
	Amount $ million	Maturity 1 July	Amount $ million	Maturity 1 July
Tranche A – 5 year facility	185.0	2020	185.0	2020
Tranche B – 5 year facility	97.5	2020	110.0	2020

The Tranche B facility amortises from 31 March 2016 to maturity. The facility has amortised $12.5 million during the year ended 30 June 2017 (2016: $5 million).

Both tranches are subject to variable interest rates which as at 30 June 2017 are 4.12% and 4.34%, respectively (2016: 4.08% and 4.21%, respectively). Tranche B reduces over the term to maturity in accordance with facility agreements entered into in conjunction with the Common Terms Deed (as amended).

During the year the Group sold Dexion (Note 33 b). Subsidiaries of Dexion held unsecured bank facilities in Malaysia and China of $25 million to assist with funding their operations. Remaining loans in China are RMB 4.0 million, and Bank Guarantees are RMB 300,000 on which GUD Holdings has a parent entity guarantee obligation. These facilities remain in place for a period not exceeding 30 November 2017 and are secured by stand-by letters of credit of equal value issued to the Company by the acquirer's Bank, United Overseas Bank of Singapore (Note 33b).

Dexion's subsidiaries based in Australia, New Zealand and Malaysia were transaction parties to the Common Terms Deed. Consent is required from the banks to remove these Dexion entities as transaction parties from the 1 June 2017. Consents have been received from all banks.

Money market facility

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

This table summarises Borrowings relating to continuing operations at 30 June 2017 and all operations at 30 June 2016:

	Note	**2017** **$'000**	2016 $'000
Current			
Unsecured bank loans		**15,092**	18,548
Secured finance lease liabilities (1)		**-**	2
	25	**15,092**	18,550
Non-current			
Unsecured bank loans		**155,957**	167,483
	25	**155,957**	167,483

(1) Secured by the assets leased (Note 18).

22. Borrowings (continued)

Financing facilities

This table summarises facilities available, used and not utilised related to continuing operations at 30 June 2017 and all operations at 30 June 2016:

	2017 $'000	2016 $'000
Total facilities available:		
Unsecured bank overdrafts	**5,001**	5,338
Unsecured bank loans	**282,500**	320,272
Unsecured money market facilities	**5,000**	15,000
	292,501	340,610
Facilities used at balance date:		
Unsecured bank overdrafts	**-**	-
Unsecured bank loans	**171,049**	186,033
Unsecured money market facilities	**-**	-
	171,049	186,033
Facilities not utilised at balance date:		
Unsecured bank overdrafts	**5,001**	5,338
Unsecured bank loans	**111,451**	134,239
Unsecured money market facilities	**5,000**	15,000
	121,452	154,577

23. Derivatives

Accounting policies

Derivative financial instruments

To manage its exposure to interest rate and foreign exchange rate risk, the Group may enter into a variety of derivatives including forward foreign exchange contracts, interest rate swaps, options and collars.

Derivatives are recognised initially at fair value and any directly attributed transaction costs are recognised in profit or loss as they are incurred. Subsequent to initial recognition, derivatives are recognised at fair value, and changes are generally recognised in profit or loss unless designated and effective as cash flow hedging instruments.

Cash flow hedges

The Group designates certain derivatives as hedges of highly probable forecast transactions (cash flow hedges).

When a derivative is designated as a cash flow hedge, the effective portion of changes in the fair value of derivatives is recognised in other comprehensive income and accumulated in the hedging reserve. Any ineffective portion of changes in fair value of the derivative is recognised immediately in the profit or loss.

The amounts are accumulated in other comprehensive income and reclassified in the profit or loss in the same period when the impact of the hedged item affects profit or loss.

When the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued on a prospective basis when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At this time, gain or losses accumulated in other comprehensive income are reclassified to profit or loss.

An interest rate swap is an instrument to exchange a fixed rate of interest for a floating rate, or vice versa, or one type of floating rate for another.

23. Derivatives (continued)

Derivatives that do not qualify for hedge accounting

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

A derivative is a type of financial instrument typically used to manage risk. A derivative's value changes over time in response to underlying variables such as exchange rates or interest rates and is entered into for a fixed period. A hedge is where a derivative is used to manage an underlying exposure.

The Group is exposed to changes in interest rates on its net borrowings and to changes in foreign exchange rates on its foreign currency transactions and net assets. In accordance with Board approved policies. The Group uses derivatives to hedge these underlying exposures.

Derivative financial instruments are initially included in the balance sheet at their fair value, either as assets or liabilities, and are subsequently remeasured at fair value or 'marked to market' at each reporting date. Movements in instruments measured at fair value are recorded in the income statement in net finance costs.

Analysis of the derivatives used by the Group to hedge its exposure and the various methods used to calculate their respective fair values are detailed in this section.

Derivative assets

This table summarises derivative assets related to continuing operations at 30 June 2017 and all operations at 30 June 2016:

	Note	**2017** **$'000**	2016 $'000
Current			
Derivatives - Foreign currency forward contracts	25	**15**	144
Current derivative assets		**15**	144
Non-current			
Derivatives - Foreign currency forward contracts		**4**	
Derivatives - Interest rate swaps	25	**44**	62
Non-current derivative assets		**48**	62

Derivative liabilities

This table summarises derivative liabilities related to continuing operations at 30 June 2017 and all operations at 30 June 2016:

	Note	**2017** **$'000**	2016 $'000
Current			
Derivatives - Foreign currency forward contracts	25	**850**	2,964
Derivatives - Interest rate swaps at fair value	25	**28**	581
Current derivative liabilities		**878**	3,545
Non-current			
Derivatives - Foreign currency forward contracts	25	**-**	829
Derivatives - Interest rate swaps at fair value	25	**1,525**	2,820
Non-current derivative liabilities		**1,525**	3,649

24. Other financial instruments

Accounting policies

Other financial instruments

Financial assets and liabilities are recognised on the date when they are originated or at trade date.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset.

Financial liabilities are derecognised if the Group's obligations specified in the contract are discharged, expire or are cancelled.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Loans receivable

Loans receivable are non-derivative financial instruments and are initially recognised at fair value plus any directly attributable costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less identified impairment.

Contingent consideration

Any contingent consideration receivable or payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Other financial assets

This table summarises other financial assets related to continuing operations at 30 June 2017 and all operations at 30 June 2016:

	Note	**2017** **$'000**	2016 $'000
Current			
Loans receivable - related parties	25	**-**	1,885
Loans receivable - third parties	25	**516**	473
Contingent consideration receivable	25	**2,666**	-
Other current financial assets		**3,182**	2,358
Non-current			
Loans receivable - third parties	25	**1,800**	2,359
Other non-current financial assets		**1,800**	2,359

Loans receivable from related parties relate to loans by the Company to Sunbeam ANZ which were repaid on 1 July 2016.

24. Other financial instruments (continued)

Other financial liabilities

This table summarises other financial liabilities at 30 June 2017 and all operations at 30 June 2016:

	Note	**2017** **$'000**	2016 $'000
Current			
Contingent consideration payable		**5,902**	19,637
Other consideration payable		**173**	-
Total other financial liabilities	25	**6,075**	19,367

Contingent consideration payable included in other financial liabilities is measured at fair value. Consideration payable at 30 June 2017 includes the contingent consideration payable to the vendors of GEL ANZ and IMG (Note 33a). Consideration payable at 30 June 2016 represents the contingent consideration payable to the vendors of Brown & Watson (Note 25).

25. Financial instruments

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

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

Derivative financial instruments

Level 2 fair values for simple over-the-counter derivative financial instruments are based on valuations from banks. These are tested for reasonableness by discounting expected future cash flows using market interest rate for a similar instrument at the measurement date.

Other financial assets - Contingent consideration payable

Level 3 fair values are based on the present value of expected receipt discounted using a risk adjusted discount rate. The expected payment has been determined based on forecast earnings to 30 June 2017 for GEL ANZ and IMG.

There were no transfers between any of the levels of the fair value hierarchy during the years ended 30 June 2017 or 2016.

Contingent consideration payable

Changes in fair value of the contingent consideration payable is summarised below:

	Note	**2017** **$'000**	2016 $'000
Opening balance		**19,367**	-
Contingent consideration (paid) / payable – acquisition of 100% of Brown & Watson		**(20,000)**	8,011
Contingent consideration payable – acquisition of 100% of GEL ANZ	33a	**1,794**	-
Contingent consideration payable – acquisition of 100% of IMG	33b	**3,951**	-
Unwinding of discount	33a	**790**	801
Unrealised fair value loss included in profit and loss		**-**	10,555
Closing balance		**5,902**	19,367

Upon acquiring 100% of GEL ANZ on 1 October 2016, the Company recorded a contingent consideration payable of $1.794 million representing its fair value at acquisition date. On 30 June 2017, this contingent consideration was revalued to $1.952 million and $158,000 was recorded as an unwinding of the discount in net finance costs.

Upon acquisition of 100% of IMG, effective 1 June 2017, the Company recorded a contingent consideration payable of $3.951 million representing its fair value at acquisition date.

The Company recorded a contingent consideration payable of $8.0 million with respect to the acquisition of Brown & Watson which was subsequently revalued to $19.4 million based on Brown & Watson reported EBIT at 30 June 2016. Consequently a fair value loss of $10.6 million and an unwinding of discount of $790,000 million were recorded in profit and loss. On 26 August 2016 contingent consideration of $20 million was paid to the vendors of Brown & Watson which gave rise to an unwinding of discount of $632,000.

25. Financial instruments (continued)

	As at 30 June 2017						
	Carrying value			Fair value			
	Current	Non-current	Total	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets measured at fair value							
Derivatives - Foreign currency forward contracts	15	4	19	-	19	-	19
Derivatives - Interest rate swaps at fair value	-	44	44	-	44	-	44
Other financial assets	2,666	-	2,666	-	-	2,666	2,666
Total financial assets measured at fair value	**2,681**	**48**	**2,729**	**-**	**63**	**2,666**	**2,729**
Financial assets not measured at fair value							
Cash and cash equivalents [a]	10,238	-	10,238	-	-	-	-
Trade and other receivables [a]	91,970	-	91,970	-	-	-	-
Other financial assets	516	1,800	2,316	-	-	-	-
Total financial assets not measured at fair value	**102,724**	**1,800**	**104,524**	**-**	**-**	**-**	**-**
Total financial assets	**105,405**	**1,848**	**107,253**	**-**	**63**	**2,666**	**2,729**
Financial liabilities measured at fair value							
Derivatives - Foreign currency forward contracts	850	-	850	-	850	-	850
Derivatives - Interest rate swaps at fair value	28	1,525	1,553	-	1,553	-	1,553
Other financial liabilities	6,075	-	6,075	-	-	6,075	6,075
Total financial liabilities measured at fair value	**6,953**	**1,525**	**8,478**	**-**	**2,403**	**6,075**	**8,478**
Financial liabilities not measured at fair value							
Borrowings and loans [a]	15,092	155,957	171,049	-	-	-	-
Total financial liabilities not measured at fair value	**15,092**	**155,957**	**171,049**	-	-	-	-
Total financial liabilities	**22,045**	**157,482**	**179,527**	**-**	**2,403**	**6,075**	**8,478**

a. The Group has not disclosed the fair values for financial instruments such as cash and cash equivalents, short term trade receivables and payables, because their carrying amounts are a reasonable approximation of fair value

25. Financial instruments (continued)

	As at 30 June 2016						
	Carrying value						Fair value
	Current	Non-current	Total	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets measured at fair value							
Derivatives - Foreign currency forward contracts	144	-	144	-	144	-	144
Derivatives - Interest rate swaps at fair value	-	62	62	-	62	-	62
Total financial assets measured at fair value	**144**	**62**	**206**	**-**	**206**	**-**	**206**
Financial assets not measured at fair value							
Cash and cash equivalents [a]	18,235	-	18,235	-	-	-	-
Trade and other receivables [a]	118,813	-	118,813	-	-	-	-
Other financial assets	2,358	2,359	4,717	-	-	-	-
Total financial assets not measured at fair value	**139,406**	**2,359**	**141,765**	**-**	**-**	**-**	**-**
Total financial assets	**139,550**	**2,359**	**141,971**	**-**	**206**	**-**	**206**
Financial liabilities measured at fair value							
Derivatives - Foreign currency forward contracts	2,964	829	3,793	-	3,793	-	3,793
Derivatives - Interest rate swaps at fair value	581	2,820	3,401	-	3,401	-	3,401
Other financial liabilities	19,367	-	19,367	-	-	19,368	19,367
Total financial liabilities measured at fair value	**22,912**	**3,649**	**26,561**	**-**	**7,194**	**19,368**	**26,561**
Financial liabilities not measured at fair value							
Borrowings and loans [a]	18,550	167,483	186,033	-	-	-	-
Total financial liabilities not measured at fair value	**18,550**	**167,483**	**186,033**	**-**	**-**	**-**	**-**
Total financial liabilities	**41,462**	**171,132**	**212,594**	**-**	**7,194**	**19,368**	**26,561**

a. The Group has not disclosed the fair values for financial instruments such as cash and cash equivalents, short term trade receivables and payables, because their carrying amounts are a reasonable approximation of fair value

26. Financial risk management

Overview

The Group's activities expose it to a variety of financial risks: market risks (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments within its policies described below as hedges to manage certain risk exposures.

Treasury policies have been approved by the Board for managing each of these risks including levels of authority on the type and use of financial instruments. Transactions are only undertaken if they relate to underlying exposures, i.e. the Group does not use derivatives to speculate. The treasury function reports regularly to the Audit Committee and treasury operations are subject to periodic reviews.

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

- credit risk
- liquidity risk
- market risk

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

Financial risk management objectives

The Group's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international markets, and manages the financial risks relating to the operations of the Group.

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

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

The Group's activities expose it primarily to the financial risks associated with changes in foreign currency exchange rates, interest rates and commodity prices.

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

Credit risk

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

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

- the majority of customer sales transactions are domestic in nature,
- trade receivables are non-interest bearing and domestic trade receivables are generally on 30 to 90 day terms,
- the Group 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 Group that they wish to transact with and are allocated credit limits which are managed according to the needs of the customer and the risk assessment of the relevant business,
- most businesses within the Group maintain credit insurance to lessen the credit risk,
- ageing of customer receivables is reviewed in detail each month by businesses within the Group and by the Company in an oversight capacity.

26. 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 Group may have a secured claim.

The Group maintains a provision account, described in the consolidated financial statements as an allowance for doubtful debts, which represents the estimated value of specific trade receivables that may not be recovered. A general provision for doubtful debts is not maintained. Uncollectible trade receivables are charged to the allowance for doubtful debts account. Identified bad debts are submitted to the Board of Directors for approval for write off in December and June of each year. Credit insurance is maintained to partially mitigate uncollectable amounts.

The maximum exposure to credit risk is the sum of cash and cash equivalents (Note 21), the total value of trade debtors and other receivables (Note 8) and other financial assets (Note 24). The majority of credit risk is within Australia and New Zealand.

A material exposure arises from forward exchange contracts, options and collars that are subject to credit risk in relation to the relevant counterparties. The maximum credit risk exposure on foreign currency contracts, options and collars is the full amount of the foreign currency the Group pays when settlement occurs should the counterparty fail to pay the amount which it is committed to pay the Group. To address this risk the Group restricts its dealings to financial institutions with appropriate credit ratings.

Liquidity risk

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

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

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

2017	Carrying amount $'000	Contractual cash flows $'000	Less than 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	Beyond 5 years $'000
Financial liabilities						
Trade and other payables	55,311	55,311	55,311	-	-	-
Derivatives	2,403	2,403	878	1,525	-	-
Unsecured bank loans	171,857	181,920	18,354	18,354	145,212	-
	229,571	239,634	74,543	19,879	145,212	-

2016	Carrying amount $'000	Contractual cash flows $'000	Less than 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	Beyond 5 years $'000
Financial liabilities						
Trade and other payables	81,291	81,291	81,291	-	-	-
Derivatives	7,194	7,194	3,545	3,649	-	-
Unsecured bank loans	186,031	194,278	90,389	16,557	87,333	-
Secured finance lease liabilities	2	2	2	-	-	-
	274,518	282,765	175,227	20,206	87,333	-

26. Financial risk management (continued)

Market risk

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

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

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

Foreign exchange risk management

The Group undertakes transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts, options and collars. The Board of Directors reviews the Group's foreign currency exposure on a monthly basis. The process includes a review of a rolling 12 month estimate of foreign currency exposure, an analysis of financial instruments contracted, an analysis of positions in relation to policy compliance and an analysis of the Group's sensitivity to movements in the exchange rates on an annualised basis.

Forward foreign exchange contracts provide certainty as specific rates are agreed at the time the contract is agreed. Purchased foreign currency options require a premium to be paid and provide a minimum (or maximum) rate at which the entity transacting will purchase (or sell) foreign currency. Foreign currency collars, being a combination of bought call and sold put options, provide the transacting entity with a minimum rate of exchange (call) and a maximum rate of exchange (put). The Group's policy is to enter into forward foreign exchange contracts, options and collars to cover specific and anticipated purchases, specific and anticipated sales and committed capital expenditure, principally in US dollars. The terms of the Group's commitments are rarely more than one year.

At 30 June 2017, the Group is exposed to $3.3 million (2016: $5.4 million) of US$ denominated net trade liabilities, $6.5 million of NZ$ net trade receivables (2016: $12.4 million) and $2.4 million of Euro net trade receivables (2016: $1.2 million of net liabilities).

Forward foreign exchange contracts

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

	Average Exchange Rate [1]		**Foreign Currency**		**Contract Value**		**Fair Value**	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
Buy			**FC'000**	FC'000	**$'000**	$'000	**$'000**	$'000
United States Dollars	**0.7517**	0.7162	**35,525**	67,152	**47,263**	93,762	**(837)**	(2,703)
Chinese Renminbi	**5.2312**	4.2931	**5,940**	46,848	**1,135**	10,912	**(3)**	(519)
European Euro	**-**	0.6091	**-**	2,788	**-**	4,517	**-**	(408)
Australian Dollars (NZ entities)	**0.9555**	0.9279	**1,435**	5,912	**1,502**	6,371	**5**	(163)
					49,900	115,622	**(835)**	(3,793)

1 Represents weighted average hedge exchange rates in the foreign currency contracts

Sensitivity Analysis - foreign exchange AUD/USD	**2017 $'000**	2016 $'000
For every 1c decrease in AUD:USD rate, total exposures increase by:		
Income statement	**545**	83
Equity	**92**	311

26. Financial risk management (continued)

Interest rate risk management

The Group is exposed to interest rate risk as it borrows funds at variable interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating interest rates through the use of interest rate derivatives, swap contracts, options and forward interest rate swap contracts.

The Group, from time to time, enters into interest rate swaps and options, with expiration terms ranging out to three years, to protect part of the loans from exposure to increasing interest rates. Interest rate swaps allow the Group to swap floating rate borrowings into fixed rates. Maturities of swap contracts are principally between one and three years. The Group determines the level of hedging required each year based on an estimate of the underlying core debt which is represented by forecast June debt levels. The core debt level is hedged to levels ranging from a maximum of 80% in year one to a minimum of 20% in year three. The hedging of the core debt level is reviewed monthly by the Financial Risk Management committee. These hedges are treated as cash flow hedges.

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

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

Sensitivity Analysis - interest rates	**2017 $'000**	2016 $'000
For every 100 basis points increase in interest rates:		
Income statement	**(1,607)**	(1,661)
Equity	**-**	-

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

	Average contracted Fixed interest rate		**Notional principal amount**		**Fair value**	
Outstanding floating for fixed contracts	**2017 %**	2016 %	**2017 $'000**	2016 $'000	**2017 $'000**	2016 $'000
Less than 1 year	**-**	3.65	**-**	34,700	**-**	(581)
1 to 2 years	**-**	4.58	**-**	11,400	**-**	(29)
2 to 5 years	**2.91**	2.91	**80,000**	80,000	**(1,481)**	(2,791)
			80,000	126,100	**(1,481)**	(3,401)

Capital management

The Board's policy is to maintain a strong capital base for the Group. This policy is predicated on the need to continue to present the Group favourably to various stakeholders including investors, employees, banks, suppliers and customers. This enables the Group to access capital markets, attract talented staff and negotiate favourable terms and conditions with suppliers and customers. Capital is defined as total debt and equity of the Group.

The Group uses a Cash Value Added (CVA) approach when measuring returns achieved by each business. This approach involves comparing the cash profit achieved to the cost of the capital utilised by each business. This cost of capital represents a weighted average cost of debt and equity and allows a single measure to assess business performance. The Group has consistently achieved CVA returns in excess of its weighted average cost of capital resulting in positive shareholder returns.

The Group is not subject to any externally imposed capital requirements. The terms and the conditions of the main debt facilities contain four financial covenants: minimum interest cover, maximum debt to earnings, and Australia and NZ subsidiaries to Group asset and earnings ratios. All covenants have been satisfied during the 2016 and 2017 financial years.

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

27. Share Capital

Accounting policies

Share capital

The Company's fully paid ordinary shares are classified as equity.

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

	2017 $'000	2017 Number	2016 $'000	2016 Number
Balance at the beginning of the year	**286,160**	**85,327,114**	286,160	85,079,850
Capital restructure	**(173,280)**	**-**	-	-
Performance share rights vested	**-**	**412,433**	-	247,264
Balance at the end of the year	**112,880**	**85,739,547**	286,160	85,327,114

During the year, the Company issued 412,433 shares (2016: 247,264 shares) as a result of the vesting of performance rights as follows:

- 357,471 shares issued pursuant to the vesting component of the 2016 performance rights plan;
- 36,641 shares issued to Karen Hope (executive of Sunbeam ANZ) for meeting EBITDA targets the year ended 30 June 2016. Details of special incentives is disclosed in Note 37 and the Remuneration Report; and
- 18,321 shares issued to a senior management personnel of Sunbeam ANZ for meeting EBITDA targets the year ended 30 June 2016.

During the year no shares were bought back on market and cancelled by the Group (2016: nil). The dividend reinvestment plan has been suspended from the 2013 financial year. The Company does not have par value in respect of its issued shares. Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Following the disposal of Sunbeam ANZ, Lock Focus and Dexion, in accordance with company policy, $173.280 million was reclassified from retained earnings to share capital to address the permanent diminution in equity arising from those business (Note 29).

28. Reserves

Accounting policies

Hedging reserve

The effective portion of changes in the fair value (net of tax) of derivatives designated as hedges of highly probable forecast transactions (cash flow hedges) is recognised in other comprehensive income and accumulated in the hedging reserve and reclassified to the profit or loss in the same period when the impact of the hedged item affects profit or loss.

When the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, gains and losses previously deferred in the hedging reserve are transferred and included in the initial measurement of the cost of the asset.

Gains or losses accumulated in the hedging reserve are reclassified to profit or loss on a prospective basis when hedge accounting is discontinued, when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting.

Equity compensation reserve

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

28. Reserves (continued)

Translation reserve

Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the Group's reporting currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated into the Group's reporting currency at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the translation reserve, except to the extent that the translation difference is allocated to non-controlling interests.

When a foreign operation is disposed of in its entirety such that control or significant influence is lost, the cumulative amount in the translation reserve related to the foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of an associate while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

If settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, then foreign currency differences arising from such items form part of the net investment in the foreign operation. Accordingly, such differences are recognised in other comprehensive income and accumulated in the translation reserve.

Dividend reserve

The Company may from time to time set aside amounts in the dividend reserve for dividends. Any amounts set aside which are not applied to dividends are carried forward and may be applied to future dividends.

This table summarises the movement in reserves:

	2017 **$'000**	2016 $'000
Hedging Reserve		
Balance at the beginning of the year	**(4,679)**	1,053
Transfers within equity on disposal	**618**	-
Fair value adjustments transferred to equity - net of tax	**2,499**	1,653
Amounts transferred to inventory - net of tax	**18**	(7,385)
Balance at the end of the year	**(1,544)**	(4,679)
Equity Compensation Reserve		
Balance at the beginning of the year	**4,280**	2,881
Equity settled share based payment transactions	**1,631**	1,399
Balance at the end of the year	**5,911**	4,280
Translation Reserve		
Balance at the beginning of the year	**2,309**	1,199
Exchange differences on translating foreign operations	**(1,085)**	1,110
Balance at the end of the year	**1,224**	2,309
Dividend Reserve		
Balance at the beginning of the year	**-**	-
Amounts set aside for dividends	**21,000**	-
Balance at the end of the year	**21,000**	-
Reserves at the end of the year	**26,591**	1,910

During the year, the company set aside a dividend reserve. In accordance with company policy, any balance in the reserve may be considered to be applied to dividends as and when declared by the board.

29. Retained earnings

This table summarises the movement in retained earnings:

	2017	2016
	$'000	$'000
Balance at the beginning of the year	**(44,940)**	33,079
Profit for the period	**(7,344)**	(43,039)
Capital restructure	**173,280**	-
Transfer to dividend reserve	**(21,000)**	-
Transactions with owners, net of tax	**(841)**	841
Dividends paid	**(37,712)**	(35,821)
Balance at the end of the year	**61,443**	**(44,940)**

Following the disposal of Sunbeam ANZ, Lock Focus and Dexion, in accordance with company policy, $173.280 million was reclassified from retained earnings to share capital to address the permanent diminution in equity arising from the sale of those business (Note 27).

30. Dividends

Accounting policies

Dividends

Dividends paid are classified as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments.

Recognised amounts

	Cents per share	**Total amount $'000**	**Date of payment**	**Tax rate**	**Percentage franked**
2017					
Final dividend in respect of the 2016 financial year	23	19,707	2 September 2016	30%	100%
Interim dividend in respect of the 2017 financial year	21	18,005	3 March 2017	30%	100%
Total dividends		37,712			
2016					
Final dividend in respect of the 2015 financial year	22	18,756	3 September 2015	30%	100%
Interim dividend in respect of the 2016 financial year	20	17,065	4 March 2016	30%	100%
Total dividends		35,821			

Unrecognised amounts

Fully Paid Ordinary Shares	**Cents per share**	**Total amount $'000**	**Date of payment**	**Tax rate**	**Percentage franked**
2017					
Final dividend in respect of the 2017 financial year	25	21,435	1 September 2017	30%	100%

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

Dividend franking account

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

	2017	2016
	$'000	$'000
30% (2016: 30%) franking credits available to shareholders of GUD Holdings Limited for subsequent financial years	**46,121**	44,476

Taxation

This section outlines the tax accounting policies, current and deferred tax impacts, a reconciliation of profit before tax to the tax charge and the movements in deferred tax assets and liabilities.

31. Current tax

Accounting policies

Current and deferred tax expense

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Tax consolidation

The Company and its wholly-owned Australian resident subsidiaries have formed a tax-consolidated group under Australian taxation law and taxed as a single entity with effect from 1 July 2003. The head entity within the tax-consolidated group is GUD Holdings Limited. The members of the tax consolidated group are identified in Note 33c.

Nature of tax funding arrangements and tax sharing agreements

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

Income tax expense recognised in the income statement

	2017 $'000	2016 ^Restated $'000
Prima facie income tax expense calculated at 30% (2016: 30%) on profit	**21,819**	16,878
Increase/(decrease) in income tax expense / (benefit) due to :		
Non-deductible expenditure	**1,331**	3,952
(Over)/under provision of income tax in prior year	**(256)**	886
Research and development incentives	**(457)**	(818)
Tax incentives not recognised in profit or loss	**(448)**	(200)
Non-assessable income	**(797)**	-
Income tax expense	**21,192**	20,698
Tax expense / (benefit) comprises:		
Current tax expense	**21,938**	21,350
Adjustments recognised in the current year in relation to tax of prior years	**(256)**	886
Deferred tax expense from origination and reversal of temporary differences	**(490)**	(1,538)
Total tax expense	**21,192**	20,698

^ Prior year comparatives have been restated in accordance with the requirements of Australian Accounting Standards to separately disclose the contribution of businesses discontinued in the current year.

31. Current tax (continued)

Income tax expense recognised in other comprehensive income

2017	Before tax	Tax (expense) / benefit	Net of tax
Income tax on items that may be subsequently reclassified to profit or loss:			
Exchange differences on translating results of foreign operations	(1,085)	-	(1,085)
Fair value adjustments transferred to hedging reserve	3,570	(1,071)	2,499
Net change in fair value of cash flow hedges transferred to inventory	26	(8)	18
Revaluation of contingent receivable	(3,284)	2,443	(841)
	(773)	1,364	591

2016	Before tax	Tax (expense) / benefit	Net of tax
Income tax on items that may be subsequently reclassified to profit or loss:			
Exchange differences on translating results of foreign operations	1,110	-	1,110
Fair value adjustments transferred to hedging reserve	2,362	(709)	1,653
Net change in fair value of cash flow hedges transferred to inventory	(10,551)	3,166	(7,385)
Revaluation of contingent receivable	355	(107)	248
	(6,724)	2,350	(4,374)

32. Deferred tax

Accounting policies

Deferred tax

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

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

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

32. Deferred tax (continued)

2017	Opening balance $'000	Acquisition through business combinations $'000	Recognised in Profit or Loss from Continuing operations $'000	Recognised in Profit or Loss from Discontinuing operations $'000	Recognised in Equity $'000	Closing balance $'000
Deferred tax assets						
Employee benefit provisions	4,722	124	(612)	(350)	-	**3,884**
Restructuring provisions	10	-	13	(11)	-	**12**
Warranty provisions	217	-	137	9	-	**363**
Doubtful debts	245	-	(28)	7	-	**224**
Inventory	1,882	-	(304)	(218)	-	**1,360**
Accrued expenses	1,229	-	(625)	330	-	**934**
Derivative liabilities	2,135	-	(323)	(317)	(775)	**720**
Property, plant and equipment	140	-	(99)	-	-	**41**
Other intangible assets	1,088	-	40	-	-	**1,128**
Other	978	-	(4)	(610)	-	**364**
	12,646	124	(1,805)	(1,160)	(775)	**9,030**
Set off of tax	(3,431)					**(2,746)**
	9,215					**6,284**
Deferred tax liabilities						
Property, plant and equipment	1,746	-	(1,387)	(212)	-	**147**
Capitalised product development	1,541	-	(673)	2	-	**870**
Other intangible assets	1,042	-	511	-	-	**1,553**
Derivative assets	62	-	(347)	-	304	**19**
Other	555	-	(398)	-	-	**157**
	4,946	-	(2,294)	(210)	304	**2,746**
Set off of tax	(3,431)					**(2,746)**
	1,515					**-**
Net deferred tax assets/(liabilities)	7,700					**6,284**

The disposals of Sunbeam ANZ, Lock Focus and Dexion have given rise to estimated net capital tax losses of $85.787 million (before tax) or $25.736 million (a net tax benefit). These have not been recognised as a deferred tax asset on the basis that it is not probable that taxable capital profits will arise and it will be utilized (Note 33b). These capital gains and losses have been offset on the basis they relate to income taxes levied by the same taxation authority and the Company intends to settle on a net basis.

32. Deferred tax (continued)

2016	Opening balance $'000	Acquisition through business combinations $'000	Recognised in Profit or Loss from: Continuing operations ^Restated $'000	Recognised in Profit or Loss from: Discontinuing operations ^Restated $'000	Recognised in Equity $'000	Closing balance $'000
Deferred tax assets						
Employee benefit provisions	4,612	-	240	(130)	-	**4,722**
Restructuring provisions	76	-	9	(75)	-	**10**
Warranty provisions	569	-	(313)	(39)	-	**217**
Doubtful debts	308	-	(71)	8	-	**245**
Inventory	1,180	-	123	579	-	**1,882**
Accrued expenses	420	-	95	714	-	**1,229**
Derivative liabilities	480	-	4	405	1,246	**2,135**
Property, plant and equipment	-	-	140	-	-	**140**
Other intangible assets	-	1,088	(72)	72	-	**1,088**
Other	1,464	-	(3,957)	3,471	-	**978**
	9,109	1,088	(3,802)	5,005	1,246	**12,646**
Set off of tax						**(3,431)**
						9,215
Deferred tax liabilities						
Property, plant and equipment	1,200	-	(380)	926	-	**1,746**
Capitalised product development	3,529	-	(2,177)	189	-	**1,541**
Other intangible assets	2,947	1,293	(3,198)	-	-	**1,042**
Derivative assets	1,461	-	475	(663)	(1,211)	**62**
Other	-	-	(59)	615	-	**555**
	9,137	1,293	(5,340)	1,068	(1,211)	**4,946**
Set off of tax						**(3,431)**
						1,515
Net deferred tax assets/(liabilities)						**7,700**

^ Prior year comparatives have been restated in accordance with the requirements of Australian Accounting Standards to separately disclose the contribution of businesses discontinued in the current year.

Business Combinations

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

33. Investment in subsidiaries

Accounting policies

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment (Note 19). Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed an incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Basis of consolidation

These consolidated financial statements are the financial statements of all the entities that comprise the Group, being the Company and its subsidiaries as defined in Accounting Standard AASB 10 Consolidated Financial Statements.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Transactions eliminated on consolidation

Intra-group balances and transactions arising from intra-group transactions are eliminated.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised on profit or loss. Any interest retained in the former subsidiary is measured at fair value when the control is lost.

Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

33. Investments in subsidiaries (continued)

33a Acquisitions

Acquisition of GEL

On 1 October 2016, subsidiaries of the Company acquired the net assets of Griffiths Equipment Limited ("GEL NZ") and 100% of the shares and voting interests of Griffiths Equipment Pty Ltd ("GEL Aust") with businesses in New Zealand and Australia, respectively. The total estimated consideration for GEL NZ and GEL Aust (collectively "GEL ANZ") is $9.117 million.

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

For the year ended 30 June 2017, GEL ANZ contributed $6.097 million of revenue and $1.690 million of EBIT to the Group's results. If the acquisition had occurred on 1 July 2016, management estimated that GEL ANZ would have contributed $8.070 million of revenue and $2.149 million of EBIT to the Group's results for the year ended 30 June 2017.

Consideration paid

As at 30 June 2017, the total consideration for the acquisition of GEL ANZ was $9.117 million:

A$'000	Consideration paid	Net assets adjustment amount received	Estimated contingent consideration at acquistion	Acqusition value of Investment
Intangible asset amount	5,137	-	1,794	6,931
Target net assets down payment	2,311	-	-	2,311
Net assets adjustment amount	-	(125)	-	(125)
	7,448	(125)	1,794	9,117

- Of the initial consideration, $7.448 million was paid on 1 October 2016, representing the initial consideration with respect to the intangible asset amount of $5.137 million and the target net assets down payment of $2.311 million.
- Subsequent to acquisition the net asset adjustment was agreed, giving rise to a reduction in total consideration payable of $125,000.

Contingent consideration payable

The Company has also agreed to pay the selling shareholders contingent consideration based on the consolidated earnings of GEL ANZ for the period from 1 October 2016 to 30 September 2017. Management estimated the present value of the contingent consideration at acquisition to be $1.794 million. During the year ended 30 June 2017, contingent consideration was revalued to $1.952 million and therefore $158,000 was recognised as unwinding of discount and recorded in net finance costs.

Acquisition-related costs

During the period ended 30 June 2017, the Company incurred approximately $93,000 of acquisition related costs including legal fees, due diligence and other advisory fees. This amount has been included in administrative expenses.

Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	GEL NZ $'000	GEL Aust $'000	GEL ANZ $'000
Trade and other receivables	1,243	70	1,313
Inventories	1,176	76	1,252
Goodwill	6,297	290	6,587
Other intangible assets	321	-	321
Property, plant and equipment	204	-	204
Deferred tax assets	23	-	23
Trade and other payables	(479)	(24)	(503)
Provisions	(80)	-	(80)
Total identifiable net assets acquired	**8,705**	**412**	**9,117**

33. Investments in subsidiaries (continued)

33a Acquisitions (continued)

Fair values measured on a provisional basis

All assets and liabilities acquired have been determined based on an assessment of fair value for specific assets and liabilities.

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

Goodwill

Goodwill arising from the acquisition has been recognised as follows:

	$'000
Total estimated consideration	9,117
Fair value of identifiable net assets	2,530
Goodwill	**6,587**

The goodwill is attributable mainly to the skills and talent of GEL ANZ's workforce and potential synergies from the Group's combined automotive businesses.

Acquisition of IMG

On 1 June 2017, a subsidiary of the Company acquired 100% of the shares in Innovative Mechatronics Group Pty Ltd ("IMG") with business operations in Australia. The total estimated consideration for IMG is $10.247 million.

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

For the year ended 30 June 2017, IMG contributed $780,000 of revenue and $97,000 of EBIT to the Group's results. If the acquisition had occurred on 1 July 2016, management estimated that IMG would have contributed $7.43 million of revenue and $550,000 of EBIT to the Group's results for the year ended 30 June 2017.

Consideration paid

As at 30 June 2017, the total estimated consideration for the acquisition of IMG was $10.247 million:

A$'000	Initial consideration	Additional Inventory Purchase Price	Net cash adjustment	Estimated contingent consideration at acquistion	Acqusition value of Investment
Initial consideration	6,000	-	-	-	6,000
Escrow amount	500	-	-	-	500
Loan amount	(376)	-	-	-	(376)
Additional Inventory Purchase Price	-	271	-	-	271
Net cash adjustment	-	-	(99)	-	(99)
Contingent consideration	-	-	-	3,951	3,951
	6,124	271	(99)	3,951	10,247

- Initial consideration of $6.124 million was paid by 1 June 2017, representing the initial consideration of $6.0 million, $500,000 deposited into an escrow account less an amount of $375,750 representing payment of a loan amount to IMG so it could settle existing loans with external banks.
- Subsequent to acquisition an additional inventory amount of $271,000 less a net cash adjustment of $99,000 was estimated, giving rise to an increase in the consideration payable of $172,000. It is expected these amounts will be agreed and settled by 30 September 2017.

33. Investments in subsidiaries (continued)

33a Acquisitions (continued)

Contingent consideration payable

The Company has also agreed to pay the selling shareholders contingent consideration based on the earnings of IMG for the period from 1 July 2017 to 30 June 2020. Management estimated the present value of the contingent consideration at 1 June 2017 to be $3.951 million.

Acquisition-related costs

During the period ended 30 June 2017, the Company incurred approximately $99,000 of acquisition related costs including legal fees, due diligence and other advisory fees. This amount has been included in administrative expenses.

Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	$'000
Cash and cash equivalents	249
Trade and other receivables	1,066
Inventories	2,496
Goodwill	7,784
Property, plant and equipment	482
Leased assets	98
Deferred tax assets	101
Trade and other payables	(1,213)
Income tax payable	(12)
Finance lease	(92)
Provisions	(336)
Borrowings	(376)
Total identifiable net assets acquired	10,247

Fair values measured on a provisional basis

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

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

Goodwill

Goodwill arising from the acquisition has been recognised as follows:

	$'000
Total estimated consideration	10,247
Fair value of identifiable net assets	2,463
Goodwill	**7,784**

The goodwill is attributable mainly to the skills and talent of IMG's workforce and potential synergies from the Group's combined automotive businesses.

33b Disposals

Disposal of Sunbeam ANZ and Jarden Asia

Effective 1 July 2016, the Company disposed of:

- Its remaining 51% shareholding in Sunbeam Australia and New Zealand ("Sunbeam ANZ"), comprising Sunbeam Corporation Limited and Sunbeam NZ Corporation Limited, to Holmes Products (Far East) Limited ("HPFE"), a subsidiary of Jarden Corporation. The Company therefore ceased control and has de-consolidated Sunbeam ANZ from 1 July 2016.
- Its 49% shareholding in Jarden Consumer Solutions (Asia) Limited ("Jarden Asia") to HPFE.

33. Investments in subsidiaries (continued)

33b Disposals (continued)

Consideration received

In respect of the sale of 51% of Sunbeam ANZ, consideration comprised:

- An initial cash deposit of $29.522 million received by the Company on 1 July 2016; and
- Completion consideration received of $1.006 million based on its fair value at disposal date and representing the balance of the proceeds on sale.

In respect of the sale of 49% of Jarden Asia, consideration comprised cash of $3.993 million received by the Company on 1 July 2016.

Non-controlling interests

The following table summarises the changes in the group's ownership interest in Sunbeam ANZ.

	2017	2016
	$'000	$'000
Non-controlling interests at the beginning of the period	**31,511**	31,193
Share of comprehensive income	**-**	318
De-recognition of non-controlling interests with change in control	**(31,511)**	-
Non-controlling interests at the end of the period	**-**	31,511

Net assets of the disposal group

The carrying amount of Sunbeam ANZ's net assets disclosed as assets and liabilities held for sale in the Group's financial statements on the date of sale was $66.799 million.

Results of discontinued operation

	2017	**2016**
	$'000	**$'000**
Revenue	-	114,432
Cost of goods sold, including restructuring costs	-	(77,998)
Gross Profit	-	36,434
Other income	-	355
Expenses	-	(35,553)
Results from operating activities	-	1,236
Net finance expense	-	(419)
Share of profit / (loss) of equity accounted investees, net of income tax	**3,993**	(2,329)
Loss on sale of subsidiary	**(1,496)**	-
Restructuring	**(93)**	-
Profit before tax	**2,404**	(1,512)
Income tax expense	**(2,417)**	(282)
Loss from discontinued operations, net of tax	**(13)**	(1,794)

Prior to the sale of the remaining 51% share in Sunbeam ANZ, the Group had deferred $3.284 million of profit on sale of the initial 49% interest in other comprehensive income on the basis that the Group retained control. As a result of losing control of Sunbeam ANZ on 1 July 2016, the Group has released this profit on sale from other comprehensive income and recognised it in profit on sale of discontinued operations in profit or loss for the year ended 30 June 2017.

In respect of the income tax expense:

- Prior to the sale of the remaining 51% share in Sunbeam ANZ, the Group had recognised $2.443 million of tax expense in other comprehensive income on the basis that it retained control. As a result of losing control of Sunbeam ANZ on 1 July 2016, the Group has released this tax expense from other comprehensive income and recognised it in tax expense in profit or loss for the year ended 30 June 2017.
- For the period ended 30 June 2017, the Group has recognised in profit or loss:

  - $1.575 million of tax expense arising from the disposal of the remaining 51% share in Sunbeam ANZ; and
  - $177,000 of tax expense arising from the disposal of the 49% share in Jarden Asia.

33. Investments in subsidiaries (continued)

33b Disposals (continued)

Cash flows from (used in) discontinued operation

	2017 $'000	2016 $'000
Net cash used in operating activities	-	899
Net cash from investing activities	-	(4,021)
Net cash from financing activities	-	(4,862)
Net cash flows for the year	-	(7,984)

Tax capital gain

The disposal of the Sunbeam ANZ and Jarden Asia businesses gives rise to a $5.840 million (before tax) or $1.752 million (tax expense) capital gain for the Company which has been offset against capital losses on the disposal of Lock Focus (below) on the basis that they relate to income taxes levied by the same taxation authority and the Company intends to settle on a net basis. (Note 32).

Disposal of Lock Focus

On 1 December 2016, the Company disposed of the business and certain net assets of its subsidiary, Lock Focus Pty Ltd ("Lock Focus").

The disposal excluded trade receivables, trade creditors and certain employee liabilities which have been retained by Lock Focus until they are finally settled.

For the year ended 30 June 2017, Lock Focus contributed $4.578 million of revenue and $4.318 million of EBIT loss to the Group's results, comprising $161,000 EBIT before significant items, $3.935 million of loss on sale, $228,000 of transaction costs and $316,000 of restructuring costs.

Consideration received

Total consideration of $4.92 million was received on 30 November 2016.

Disposal-related costs

During the year ended 30 June 2017, the Company incurred approximately $228,000 of disposal related costs including legal fees, due diligence and other advisory fees, all of which have been included in administrative expenses.

Identifiable assets acquired and liabilities disposed

The following table summarises the net assets disposed and retained as at 30 November 2016:

	Net assets as at 30 November 2016 $'000	Disposed $'000	Retained $'000
Cash	588	-	588
Trade receivables	1,946	-	1,946
Inventory	2,471	2,471	-
Other debtors and prepayments	106	46	60
Goodwill	5,300	5,300	-
Property, plant and equipment	1,358	1,358	-
Other intangibles	56	56	-
Deferred tax asset	264	240	24
Trade creditors	(1,134)	-	(1,134)
Provisions	(716)	(637)	(79)
Total identifiable net assets disposed	**10,239**	**8,834**	**1,405**

33. Investments in subsidiaries (continued)

33b Disposals (continued)

Results of discontinued operation

Year ended 30 June	2017 $'000	2016 $'000
Revenue	**4,578**	10,629
Cost of goods sold	**(2,855)**	(6,869)
Gross Profit	**1,723**	3,760
Expenses	**(1,562)**	(3,128)
Results from operating activities	**161**	632
Net finance expense	**(8)**	(10)
Transaction costs	**(228)**	-
Loss on sale of subsidiary	**(3,935)**	-
Restructuring	**(316)**	-
(Loss) / profit before tax	**(4,326)**	622
Income tax expense / (benefit)	**126**	(140)
(Loss) / profit from discontinued operations, net of tax	**(4,200)**	482

Cash flows from (used in) discontinued operation

Year ended 30 June	2017 $'000	2016 $'000
Net cash used in operating activities	**(16)**	498
Net cash from investing activities	**(321)**	(444)
Net cash from financing activities	**-**	(550)
Net cash flows for the year	**(337)**	(496)

Tax capital loss

The disposal of the Lock Focus business gives rise to a $10.791 million (before tax) or $3.237 million (tax benefit) capital loss for the Company which has not been recognised in the balance sheet at 30 June 2017 on the basis that it is not probable that taxable profits will be available against which these capital losses can be utilised, other than in respect of capital gains arising on the sale of Sunbeam ANZ (Note 33b).

Disposal of Dexion

On 1 June 2017, the Company disposed of the shares of its subsidiary, Dexion (Australia) Pty Ltd (“Dexion”) to Tech-Link Storage Engineering Pte Ltd (“Tech-Link”). The total estimated consideration for Dexion is $12.166 million.

For the year ended 30 June 2017, Dexion contributed $141.7 million of revenue and $54.207 million of EBIT loss to the Group’s results, comprising $2.892 million EBIT loss before significant items, $45.252 million of loss on sale, $2.829 million of transaction costs and $3.234 million of restructuring costs.

Consideration

Consideration is made up of $7.5 million plus a net cash adjustment calculated with reference to cash, debt, tax receivable and payable at 31 May 2017 and an agreed provision of $500,000 for restructuring Dexion’s Middle East operations.

Consideration received

Total consideration of $9.5 million was received as follows:

- A deposit of $750,000 was received on 29 May 2017;
- Additional proceeds of $6.75 million were received on 31 May 2017; and
- An estimated net cash amount of $2.0 million was received on 31 May 2017.

33. Investments in subsidiaries (continued)

33b Disposals (continued)

Contingent consideration

The Company estimates the net cash amount of $4.666 million based on cash and debt balances at 31 May 2017 which increases the net cash amount received by $2.666 million. This receivable is contingent upon agreement between the Company and Tech-Link and is expected to be received by 30 September 2017.

Disposal-related costs

During the year ended 30 June 2017, the Company incurred approximately $2.829 million of disposal related costs including employee incentives, legal fees, due diligence and other advisory fees, all of which have been included in administrative expenses.

Results of discontinued operation

Year ended 30 June	**2017** **$'000**	**2016** **$'000**
Revenue	**141,723**	175,558
Cost of goods sold	**(111,584)**	(138,323)
Gross Profit	**30,139**	37,235
Impairment	**-**	(71,697)
Transaction costs	**(2,829)**	-
Loss on sale of subsidiary	**(45,252)**	
Restructuring	**(3,234)**	
Expenses	**(33,031)**	(45,029)
Results from operating activities	**(54,207)**	(79,491)
Net finance expense	**(441)**	(679)
(Loss) before tax	**(54,648)**	(80,170)
Income tax expense	**1,728**	3,199
(Loss) from discontinued operations, net of tax	**(52,920)**	(76,971)

Cumulative income or expenses in other comprehensive income

There were no cumulative income and expenses included in other comprehensive income relating to the disposal group.

Cash flows from (used in) discontinued operation

Year ended 30 June	**2017** **$'000**	**2016** **$'000**
Net cash used in operating activities	**(6,090)**	12,742
Net cash from investing activities	**(1,082)**	(2,194)
Net cash from financing activities	**6,787**	(17,688)
Net cash flows for the year	**(385)**	(7,140)

33. Investments in subsidiaries (continued)

33b Disposals (continued)

Assets and liabilities disposed

The following table summarises the net assets disposed as at 1 June 2017:

	1 June 2017 $'000
Cash and cash equivalents	**8,932**
Trade and other receivables	**34,028**
Inventories	**25,324**
Tax receivable	**1,550**
Investments	**10**
Other intangible assets	**952**
Property, plant and equipment	**18,405**
Deferred tax assets	**1,974**
Other assets	**1,352**
Assets disposed	**92,527**
Trade and other payables	**(25,228)**
Tax payable	**(292)**
Employee benefits	**(2,772)**
Warranty provisions	**(40)**
Borrowings	**(5,024)**
Deferred tax liabilities	**(1,752)**
Liabilities disposed	**(35,108)**
Net assets disposed	**57,419**

Borrowings of RMB 4.0 million, and Bank Guarantees of RMB 300,000, on which GUD Holdings has a parent entity guarantee obligation, remain in place for a period not exceeding 30 November 2017 and are secured by stand-by letters of credit of equal value issued to the Company by the acquirer's Bank, United Overseas Bank of Singapore (Note 22).

Tax capital loss

The disposal of the Dexion business gives rise to an estimated capital losses of $80.836 million (before tax) or $24,251 million (tax benefit) for the Company. Capital losses not utilised in the year ended 30 June 2017 will be available to offset future capital gains to the extent that they arise. However unutilised capital losses remaining at 30 June 2017 have not been recognised in the balance sheet on the basis that it is not probable that taxable profits will be available against which these capital losses can be utilised.

33. Investments in subsidiaries (continued)

33c Shareholdings

	Country of incorporation	% ownership interest 2017	2016
Parent entity			
GUD Holdings Limited [(1)]	Australia		
Subsidiaries			
ACN 006 864 848 Pty Ltd (formerly Appliance and Homewares International Pty Ltd) [(2) (3)]	Australia	**100**	**100**
Brown & Watson International Pty Ltd [(2) (3)]	Australia	**100**	**100**
Carsmart Workshop Pty Ltd	Australia	**100**	**100**
Davey Water Products Pty Ltd [(2) (3)]	Australia	**100**	**100**
Dexion (Australia) Pty Limited [(2) (3) (6)]	Australia	**-**	**100**
Dexion (Shanghai) Logistics Equipment Co. Ltd [(6)]	Peoples' Republic of China	**-**	**100**
Dexion Asia Limited [(6)]	Hong Kong	**-**	**100**
Dexion Asia Sdn Bhd [(6)]	Malaysia	**-**	**100**
Dexion Asia Services Sdn Bhd [(8)]	Malaysia	**-**	**100**
Dexion Commercial (Australia) Pty Limited [(2) (3) (6)]	Australia	**-**	**100**
Dexion Integrated Systems Pty Limited [(2) (3) (6)]	Australia	**-**	**100**
Dexion (New Zealand) Limited [(6) (7)]	New Zealand	**-**	**-**
ED Oates Pty Ltd [(2) (3)]	Australia	**100**	**100**
GUD (HK) Limited	Hong Kong	**100**	**100**
Griffiths Equipment Limited	New Zealand	**100**	**-**
Griffiths Equipment Pty Ltd [(2) (3)]	Australia	**100**	**-**
GUD Automotive Pty Ltd [(2) (3)]	Australia	**100**	**100**
GUD Europe Limited	United Kingdom	**100**	**100**
GUD NZ Holdings Limited	New Zealand	**100**	**100**
Innovative Mechatronics Group Pty Ltd [(2) (3)]	Australia	**100**	**-**
ACN 004 930 385 Pty Ltd (formerly Lock Focus Pty Ltd) [(2) (3) (5)]	Australia	**100**	**100**
Monarch Pool Systems Europe S.A.S.	France	**100**	**100**
Monarch Pool Systems Iberica S.L.	Spain	**100**	**100**
Narva New Zealand Limited	New Zealand	**100**	**100**
Sunbeam Corporation Limited [(4)]	Australia	**-**	**51**
Sunbeam NZ Corporation Limited [(4)]	New Zealand	**-**	**51**
Wesfil Australia Pty Ltd [(2) (3)]	Australia	**100**	**100**

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

(1) GUD Holdings Limited is the head entity within the Australian Tax Consolidated group.
(2) Member of the Australian Tax Consolidated group while 100% owned directly or indirectly by GUD Holdings Limited.
(3) Relieved from the need to prepare audited financial reports under Australian Securities Commission Class Order 98/1418 as party to a deed of cross guarantee with GUD Holdings Limited, while 100% owned directly or indirectly by GUD Holdings Limited.
(4) Sunbeam Corporation Limited and Sunbeam NZ Corporation Limited (collectively “Sunbeam ANZ”) were sold on 1 July 2016 (Note 33b).
(5) The net assets and business of ACN 004 930 385 Pty Ltd (formerly Lock Focus Pty Ltd) were sold on 1 December 2016, however the legal entity has been retained and will be wound up in due course (Note 33b).
(6) All Dexion entities were sold on 1 June 2017 (Note 33b).
(7) During the year ended 30 June 2017, Dexion (New Zealand) Limited was established as a 100% owned subsidiary of Dexion (Australia) Pty Limited and acquired the businesses and net assets of GUD NZ Holdings Limited that related to the Dexion businesses trading in New Zealand on 1 May 2017. Dexion (New Zealand) Limited was sold on 1 June 2017 as part of the Dexion sale process (Note 33b).
(8) Dexion Asia Services Sdn Bhd was struck off on 9 January 2017.

33. Investments in subsidiaries (continued)

Deed of Cross Guarantee

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

Income Statement	2017 $'000	2016 $'000
Revenue	**413,351**	488,476
Net finance costs	**(9,286)**	(12,846)
Other expenses	**(406,758)**	(528,172)
Profit before income tax	**(2,693)**	(52,542)
Income tax expense	**(24,224)**	(15,555)
Profit	**(26,917)**	(68,097)
Loss from discontinued operations, net of tax	**(207)**	(2,329)
Profit for the year	**(27,124)**	(70,426)
Retained earnings at the beginning of the year	**(47,548)**	58,699
Retained earnings of members leaving the group	**32,270**	-
Capital restructure	**173,280**	-
Transfer to dividend reserve	**(21,000)**	-
Dividends paid	**(37,712)**	(35,821)
Retained earnings at the end of the year	**72,166**	(47,548)
Balance Sheet		
Current assets		
Cash and cash equivalents	**9,037**	10,037
Trade and other receivables	**85,610**	87,580
Other assets	**6,751**	7,563
Inventories	**82,343**	83,629
Total current assets	**183,741**	188,809
Non-current assets		
Other financial assets	**32,294**	76,647
Property, plant and equipment	**12,616**	16,852
Deferred tax assets	**5,900**	7,451
Goodwill	**96,764**	93,989
Other intangible assets	**117,778**	119,617
Total non-current assets	**265,352**	314,556
Total assets	**449,093**	503,365
Current liabilities		
Trade and other payables	**52,635**	51,020
Borrowings	**15,092**	12,502
Current tax payables	**9,113**	8,270
Provisions	**13,534**	13,807
Other financial liabilities	**4,957**	22,824
Total current liabilities	**95,331**	108,423
Non-current liabilities		
Borrowings	**139,100**	152,300
Other financial liabilities	**1,631**	2,646
Provisions	**1,931**	2,039
Total non-current liabilities	**142,662**	156,985
Total liabilities	**237,993**	265,408
Net assets	**211,100**	237,957
Share Capital	**112,880**	286,160
Reserves	**26,054**	(655)
Retained earnings	**72,166**	(47,548)
Total equity	**211,100**	237,957

34. Non-controlling interests

Accounting policies

Non-controlling interests

For each business combination, the Group elects to measure any non-controlling interests in the acquiree either:

- At fair value; or
- At their proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

Ownership interests

The following table summarises the changes in the group's ownership interest in Sunbeam ANZ.

	2017 $'000	2016 $'000
Non-controlling interests at the beginning of the period	**31,511**	31,193
Recognition of non-controlling interests without change in control	-	-
Share of comprehensive income	-	318
De-recognition of non-controlling interests with change in control	**(31,511)**	-
Non-controlling interests at the end of the period	-	31,511

35. Equity-accounted investees

Accounting policies

Interest in equity accounted investees

The Group's interest in equity-accounted investees comprises interests in associates.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Investments in associates are accounted for using the equity method. They are initially recognised at cost, including transaction costs.

Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, until the date that significant influence ceases.

Transactions eliminated on consolidation

Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Assets held for sale

Non-current assets are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets are generally measured at the lower of their carrying amount and fair value less costs to sell and gains and losses on re-measurement are recognised in profit or loss.

Once classified as held-for-sale any equity-accounted investee is no longer equity accounted.

35. Equity-accounted investees (continued)

Summary financial information

The following table summarises the financial information of Jarden Asia as included in its own financial statements and reconciles the summarised financial information to the carrying amount of the Group's interest in Jarden Asia.

	2017 $'000	2016 $'000
Current assets	-	13,213
Non-current assets	-	842
Current liabilities		985
Non-current liabilities	-	15,135
Net assets (100%)	-	(2,065)
Group's share of net assets	-	49%
Net assets (49%) [1]		-
Foreign currency translation	-	-
Carrying amount of interest in associate	-	-
Revenue	-	25,028
Loss and total comprehensive income (100%)	-	(7,490)
Group's share of loss and total comprehensive income	-	49%
Share of loss and total comprehensive income of equity accounted investees, net of tax [1]	-	(2,329)

1 After the Group's interest was reduced to zero, equity accounting ceased as the Group has no legal or constructive obligation to make payments on behalf of the investee.

Other Notes

36. Superannuation commitments

The Group 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 Group contributes a percentage of individual employees' gross income and employees may make additional contributions on a voluntary basis. The Group has no further obligations beyond the payment of the contributions.

37. Key management personnel

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)
- A. L. Templeman-Jones (Non-executive)
- M.G. Smith (Non-executive)
- G.A. Billings (Non-executive)
- D.D. Robinson (Non-executive)
- J.P. Ling (Managing Director)
- M.A. Fraser (Chief Financial Officer)
- K. Hope (Chief Executive – Sunbeam Corporation Ltd, left the Group upon sale of Sunbeam on 1 July 2016)
- D. Chin (Chief Executive – E D Oates Pty Ltd, appointed 24 October 2016)
- D. Birch (Chief Executive – E D Oates Pty Ltd, resigned 28 February 2017)
- G. Nicholls (Chief Executive – GUD Automotive Pty Ltd)
- R. Pattison (Chief Executive – GUD Automotive Division, appointed 9 May 2017 and Brown & Watson International Pty Ltd)
- D. Worley (Chief Executive – Davey Water Products Pty Ltd)
- T. Cooper (Managing Director – Wesfil Australia Pty Ltd)
- T. Richards (Chief Executive – Dexion Limited, left the Group upon sale of Dexion on 1 June 2017)

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 Group is set out below:

	2017	2016
	$	$
Short-term employment benefits	**6,887,315**	6,088,119
Long-term benefits	**97,127**	75,164
Post-employment benefits	**366,912**	373,807
Share based payments	**745,052**	607,404
	8,096,406	7,144,494

38. Related parties

Directors

Details of Directors' compensation is disclosed in Note 37 and the Remuneration Report.

Transactions with key management personnel and their related parties

The Group's policy is that the sale and purchase of goods and services with key management personnel are made under normal customer and supplier relationships and on normal commercial terms and conditions. The sale of goods to key management personnel are on terms no more favourable than made available to other employees.

At 30 June 2017, key management personnel held directly, indirectly or beneficially 486,249 ordinary shares (2016: 387,558) in the Group. Performance rights issued under the 2017 plan will fully vest and, as a result, key management personnel will be issued an additional 211,913 (2016: 162,798) shares issued pursuant to full vesting of the 2017 plan.

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 33c.

Entities in the wholly-owned group advanced and repaid loans, paid and received dividends, provided marketing, product sourcing, accounting and administrative assistance and sold and purchased goods to other group companies during the current and previous financial years.

The Group's policy is that these transactions are on commercial terms and conditions with the exception of loans between Australian entities and loans between New Zealand entities which are not interest bearing. Loans between entities in the wholly-owned group are repayable on demand.

Other related party transactions with entities in the wholly-owned Group

Wesfil Australia Pty Ltd leases its Sydney premises from an entity related to a Director of Wesfil Australia Pty Ltd. Net rental expense was $432,368 excluding GST (2016: $419,567 excluding GST). The Group's policy is that related party lease arrangements are undertaken with commercial terms and conditions.

39. Parent entity disclosures

As at and for the financial year ending 30 June 2017 the parent company of the Group was GUD Holdings Limited.

GUD Holdings Limited	**2017** **$'000**	2016 $'000
Results of the parent entity		
Profit for the period	**(37,364)**	(63,161)
Other comprehensive income	**-**	841
Total comprehensive income for the period	**(37,364)**	(62,320)
Financial position of the parent entity at the year end		
Current assets	**46,455**	71,219
Total assets	**344,785**	440,531
Current liabilities	**32,107**	41,895
Total liabilities	**172,967**	196,956
Net assets	**171,818**	243,575
Total equity of the parent entity comprising of:		
Share capital	**112,880**	286,160
Retained earnings / (accumulated losses)	**33,066**	(44,138)
Other reserves	**25,872**	1,553
Total equity	**171,818**	243,575

The profit for the year includes transaction costs and losses on disposal of Sunbeam ANZ, Lock Focus and Dexion. The results of these disposals in the parent entity profit for the year ended 30 June 2017 differ to the consolidated income statement as investments were impaired in previous periods in the parent entity.

Total permanent losses with respect to these disposals of $173.280 million were recapitalised from retained earnings to share capital during the year ended 30 June 2017 to address the permanent diminution in retained earnings from those business (Note 27).

During the year, the company set aside $21.0 million from retained earnings to a dividend reserve (Note 28).

39. Parent entity disclosures (continued)

GUD Holdings Limited	2017 $'000	2016 $'000
Parent entity contingencies		
Contingent liabilities	**65,026**	68,452

The parent entity is party to two guarantees relating to subsidiaries. The bank borrowing facility described in Note 22 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.

Subsequent to the disposal of Dexion on 1 June 2017, Dexion has remaining loans of RMB 4.0 million, and Bank Guarantees of RMB 300,000 on which GUD Holdings has a parent entity guarantee obligation. These facilities remain in place for a period not exceeding 30 November 2017 and are secured by stand-by letters of credit of equal value issued to the parent entity by the acquirer's Bank, United Overseas Bank of Singapore (Note 33b).

The parent entity is also party to a deed of cross guarantee as described in Note 33c. 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 2017.

40. Contingent liabilities

The Group had no material contingent liabilities at 30 June 2017 (2016: Nil).

41. Subsequent events

Other than the final dividend for the year being declared, 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 Group.

Directors' Declaration

In the opinion of the directors of GUD Holdings Limited (the "Company"):

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

1. giving a true and fair view of the financial position of the Group as at 30 June 2017 and of its performance for the financial year ended on that date;
2. complying with Australian Accounting Standards and the Corporations Regulations 2001; and

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

There are reasonable grounds to believe that the Company and the group entities identified in Note 33c will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Class order 98/1418.

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

The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the Managing Director and the Chief Financial Officer for the financial year ended 30 June 2017.

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

J.P. Ling
Director

Melbourne, 27 July 2017

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

To the Directors of GUD Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of GUD Holdings Limited (the "Company") for the financial year ended 30 June 2017 there have been:

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

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

KPMG

Chris Sargent
Partner

Melbourne
27 July 2017

Independent Auditor's Report

To the shareholders of GUD Holdings Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of GUD Holdings Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated Balance Sheet as at 30 June 2017
- Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Cash Flow Statement for the year then ended
- Notes 1 to 41, including a summary of significant accounting policies and other explanatory information
- Directors' Declaration.

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

Basis for opinion

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

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

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

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Key Audit Matters

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

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

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of goodwill ($119.4 million) and other intangible assets ($118.1million)

Refer to Note 16 *Goodwill,* Note 17 *Other intangible assets* and Note 19 *Impairment testing* to the Financial Report.

The key audit matter	How the matter was addressed in our audit
The carrying value of goodwill and other intangible assets is considered with reference to the Group's analysis of future cash flows for the respective Cash Generating Unit (CGU) or individual asset (as applicable). The recoverability of these assets is a key audit matter due to the inherent complexity associated with auditing the forward looking assumptions incorporated in the Group's "value in use" (VIU) models. The Group's VIU models are internally developed, and use a range of internal and external data as inputs. Forward-looking assumptions may be prone to greater risk for potential bias, error and inconsistent application. Significant judgement is involved in establishing these assumptions. The key assumptions in the VIU models include forecast cash flows, terminal values, growth rates and discount rates. Where the Group has not met prior year forecasts in relation to a specific CGU we factor this into our assessment of forecast assumptions.	Our procedures included: • assessing the Group's VIU models and key assumptions by: - evaluating the appropriateness of the VIU model against accounting standard requirements; - comparing inputs into the relevant cash flow forecasts to the Board approved budgets; - comparing forecast cash flows to historical trends and performance and assessing the impact of business changes; - using our industry knowledge to challenge and assess the reasonableness of key assumptions. We applied increased scepticism to forecasts in the areas where previous forecasts were not achieved; and - assessing the reasonableness of the discount rates by considering comparable market information and evaluating the economic assumptions relating to cost of debt and cost of equity and evaluating the expertise and independence of the valuation specialist engaged by the Group. • considering the sensitivity of the models by varying key assumptions, such as forecast growth rates, terminal values and discount rates, within a reasonably possible range to identify those assumptions at higher risk of bias or inconsistency in application. We also

	assessed the related impairment breakeven points for these assumptions in order to identify those CGUs at higher risk of impairment and to focus our further procedures; and ● considering the disclosures in the financial report using our understanding of the recoverability assessment obtained from our testing and against the requirements of the accounting standards.

Acquisition accounting

Refer to Note 33a *Investments in Subsidiaries (Acquisitions)* to the Financial Report.

The key audit matter	How the matter was addressed in our audit
During the year the Group completed the acquisition of: ● Griffiths Equipment Limited ; and ● Innovation Mechatronics Group Pty Ltd. The audit of acquisitions, including the purchase price accounting, is a key audit matter due to the extent of judgement and complexity involved in establishing the fair value of the assets and liabilities acquired and in accounting for contingent or deferred consideration. Key assumptions in the Group's acquisition accounting include forecast revenue, profit and margins, royalty rates and discount rates.	Our procedures included: ● reading the transaction documents to understand the terms and conditions of the acquisitions ● evaluating the substance of the acquisition, using the terms and conditions of the Purchase and Sale Agreement, against the criteria for business combinations in the accounting standards; ● assessing the measurement of contingent or deferred consideration by evaluating the Group's assessment of achievement of significant contracted hurdles. We assessed the likelihood and magnitude of forecasted performance against trends from current year and previous performance, adjusted for the Group's integration strategy; ● evaluating the methodology used to fair value assets and liabilities acquired. This included consideration of the expertise and independence of the valuation specialist engaged by the Group (where applicable), and comparing methodologies with accepted market valuation practices; ● assessing the calculated fair value of the acquired assets and liabilities through evaluation of the key assumptions applied by the Group and the valuation specialist. We challenged these assumptions via comparison against results achieved prior to acquisition (available to us from legacy systems) and performance for the period post acquisition,

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	and used our knowledge of the business, the Group's strategic plans for the acquisition and industry trends to challenge and assess the reasonableness of forecasts; and • assessing the disclosure in the Financial Report relating to the acquisitions against the requirements of the accounting standards.

Accounting for business disposals

Refer to and Note 33b *Investment in Subsidiaries (Disposals)* to the Financial Report.

The key audit matter	How the matter was addressed in our audit
During the year the Group completed the disposal of: • Sunbeam (classified as a discontinued operation at 30 June 2016); • the Lock Focus segment; and • the Dexion segment. The audit of the accounting for these disposals, in particular the profit/loss on sale and presentation of discontinued versus continuing operations in the profit and loss, is a key audit matter due to the quantum and scale of disposals during the period. The Group disposed of three of their six segments. We focused on the areas where additional complexity exists in the measurement and accounting for the disposals, including: • taxation implications, noting that the transactions impact multiple jurisdictions and interpreting the local taxation legislation requires specialist knowledge; and • the restatement of financial information into continuing and discontinuing operations.	Our procedures included: • reading the transaction documents to understand the terms and conditions of the disposals; • evaluating the substance of the disposals, using the terms and conditions of the transaction documents, against the criteria for discontinued operations in the accounting standards; • assessing the identification of assets and liabilities disposed of, comparing to transaction documents and underlying financial records at the point of disposal; • checking the calculation of consideration by comparing relevant amounts to bank records and the transaction documents; • assessing the identification and treatment of costs relating to the disposals for compliance with relevant accounting standards; • using our tax specialists, we evaluated the respective tax implications in the individual jurisdictions against the requirements of the tax legislation and industry positions; • checking the individual calculations of profit and loss on disposal for each segment; and • assessing the disclosure in the Financial Report relating to the disposals, including the restatement of prior period information to reflect the impact of the disposals, against the requirements of the accounting standards.

Valuation of Inventory ($93.1 million)	
Refer to Note 9 *Inventories* to the Financial Report.	
The key audit matter	**How the matter was addressed in our audit**
At 30 June 2017, the Group held inventory with a net carrying value of $93.1 million. The audit of inventory valuation is a key audit matter due to the extent of judgement involved in determining the recoverable value, particularly in relation to any slow moving or excessive stock. The Group has a diverse and broad product range, and sells to different market segments, which increases the amount of judgement required in assessing the carrying value of inventory.	Our procedures included: • assessing the appropriateness of inventory valuation accounting policies applied by the different segments in the Group against the requirements of accounting standards; • examining processes and testing controls relating to inventory movements, standard costing and valuation; • evaluating the completeness of at-risk slow moving or excess stock items identified by the Group, comparing inventory listings against historical sales information to identify any additional at-risk items; • comparing inventory values against current selling prices for products to identify any items selling for less than their carrying value; and • challenging the Group's judgements relating to the provision for stock obsolescence (including slow moving or excess stock), by comparing current inventory levels to historical and forecast sales. We assessed the level of provision in light of our knowledge of the industry and businesses the Group operates in, and from further discussions with key personnel.

Other Information

Other Information is financial and non-financial information in GUD Holdings Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors' Report and the Remuneration Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001;*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Group's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar2.pdf. This description forms part of our Auditor's Report.

KPMG

Report on the Remuneration Report

Opinion

- In our opinion, the Remuneration Report of GUD Holdings Limited for the year ended 30 June 2017 complies with *Section 300A* of the *Corporations Act 2001*; and
- The non-statutory compensation for the Senior Executives set out in section 4.2 of the Remuneration Report for the year ended 30 June 2017 presents fairly, in all material respects, in accordance with the basis of preparation set out in section 4.2 of the Remuneration Report

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2017.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

Chris Sargent

Partner

Melbourne

27 July 2017

Additional Shareholder Information

The issued shares of the Company are of the one class with equal voting rights and are all quoted on the ASX.

Distribution of Shareholdings as at 15 August 2017

Shares held	No. of shareholders	%	Shares	%
1 – 1,000	3,173	34.57	1,541,054	1.78
1,001 – 5,000	4,265	46.46	10,874,064	12.62
5,001 – 10,000	1,094	11.92	7,801,097	9.05
10,001 – 100,000	627	6.83	12,090,267	14.03
100,001 and over	20	0.22	53,879,216	62.52
Total	9,179	100.00	86,185,698	100.00

There are 394 shareholders holding less than a marketable parcel of shares. A marketable parcel is $500.00.

Twenty Largest Shareholders as at 15 August 2017

	Number of Shares	%
HSBC Custody Nominees (Australia) Limited	23,054,458	26.75
J P Morgan Nominees Australia Limited	11,699,010	13.57
Citicorp Nominees Pty Limited	7,944,771	9.22
National Nominees Limited	3,165,517	3.67
Argo Investments Limited	1,772,013	2.06
BNP Paribas Noms Pty Ltd <DRP>	1,408,371	1.63
BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	1,056,530	1.23
HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	647,507	0.75
AMP Life Limited	479,086	0.56
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	458,694	0.53
Morgan Stanley Australia Securities (Nominee) Pty Limited <No 1 Account>	405,906	0.47
HSBC Custody Nominees (Australia) Limited-GSCO ECA	388,161	0.45
Mr Jonathan Peter Ling	280,004	0.32
Marich Nominees Pty Ltd <R Marich Superannuation A/C>	266,600	0.31
Sandhurst Trustees Ltd <JMFG Consol A/C>	197,135	0.23
National Nominees Limited (DB A/C>	176,624	0.20
Kulandra Pty Limited	132,749	0.15
HSBC Custody Nominees (Australia) Limited – A/C 2	125,072	0.15
Australian Executor Trustees Limited <No 1 Account>	120,741	0.14
Mr Timothy Theodore Byard	100,247	0.12
Total Twenty Largest Shareholders of Ordinary Fully Paid Shares	**53,879,216**	**62.52**
Total Remaining Holders Balance	**32,306,482**	**37.48**

Substantial Shareholders of GUD Holdings Limited

As at 15 August 2017, the current notices of substantial shareholders were:

	Number of Shares	%
Marathon Asset Management LLP	6,019,359	7.02
Vinva Investment Management	4,417,016	5.15

Dividends/Dividend Reinvestment Plan (DRP)

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.

Shareholding Consolidation

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

Annual Report Mailing List

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

Tax File Number (TFN)

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

Continuous Disclosure

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

Enquiries

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

Enquiries should be addressed to:

Computershare Investor Services Pty Limited
Postal Address – GPO Box 2975, Melbourne Vic 3001

Yarra Falls, 452 Johnston Street, Abbotsford Vic 3067

Enquiries Within Australia – 1300 850 505
Enquiries Outside Australia – 61 3 9415 4000
Investor Enquiries Facsimile Number – 61 3 9473 2500

Website – www.investorcentre.com
Email – www.investorcentre.com/contact