



GUD Holdings Limited

A.B.N. 99 004 400 891

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Tottenham, Vic 3012
Australia.

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Vic 3020 Australia.

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Internet: www.gud.com.au

16 September, 2010

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

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

Malcolm G Tyler
Company Secretary

Att:



GUD Holdings Limited

ABN 99 004 400 891

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



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I ND

16 September 2010

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 on Thursday 21 October 2010.

The meeting will be held at 11.00am at the RACV Club, Level 17, 501 Bourke Street, Melbourne.

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

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

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

Yours sincerely,

Clive Hall
Chairman

NOTICE OF ANNUAL GENERAL MEETING

The 2010 Annual General Meeting of GUD Holdings Limited (the Company) will be held at the RACV Club, Level 17, 501 Bourke Street, Melbourne on Thursday, 21 October, 2010 at 11.00am. Registration will commence at 10.00am.

Ordinary Business

1. Financial statements and reports

To receive and consider the Financial Report of the Company and the Reports of the Directors and Auditor for the year ended 30 June 2010.

2. Re-election of Director

2.1 To re-elect a Director in accordance with Rule 34(c) of the Company's Constitution.

Mr Ross Herron retires and, being eligible, offers himself for re-election.

Details of Mr Herron are set out in the Explanatory Notes to this Notice of Meeting.

Special Business

3. Remuneration Report

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

"That the Remuneration Report for the year ended 30 June 2010 (as set out in the Directors' Report on pages 24 to 31 of the 2010 Annual Report) be adopted."

(The vote on this resolution is advisory only)

4. Termination benefits to be provided to Mr Ian Campbell

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

"That approval be given for the purposes of sections 200B and 200E of the Corporations Act (Cth) 2001 for the giving of any benefits which may become payable to the Managing Director and Chief Executive Officer, Mr Ian Campbell, under and in accordance with his contract of employment in connection with Mr Campbell's cessation of employment with the GUD Group, as described in the Explanatory Notes to this Notice of Meeting."

Voting exclusion

For the purposes of Item 4, the Company will disregard any votes cast by Mr Campbell and his associates, other than as a proxy appointed in writing where it is specified how the proxy is to vote on the resolution.

By order of the Board



Malcolm G Tyler
Company Secretary

Melbourne

16 September 2010

EXPLANATORY NOTES

Item 1 – Financial statements and reports

The financial statements of the Company and its controlled entities for the year ended 30 June 2010 and the Directors' Report and Auditor's Report are set out in the GUD Holdings Limited Annual Report 2010.

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

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

Item 2 – Re-election of Director

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

This year, one Director, Mr R M Herron, is due to retire and being eligible, offers himself for re-election.

Profile of Mr Herron follows:

R M Herron FCA FAICD (Age 60)

Non-Executive Director since 17 June 2004.

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

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

Mr Herron is also a Non-Executive Director of the The Royal Automobile Club of Victoria (RACV) Ltd (since July 2007), Select Harvests Limited (since January 2005), Heemskirk Consolidated Limited (since June 2004) and a major industry superannuation fund.

Further details regarding Mr Herron are set out on page 34 of the Annual Report.

Board Recommendation

The Board (excluding Mr Herron because of his interest) unanimously recommends that shareholders vote in favour of the resolution to elect Mr Herron 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 24 to 31 of the GUD Holdings Limited Annual Report for the year ended 30 June 2010 and is also available from the Company's website (www.gud.com.au).

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

Board Recommendation

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

Item 4 – Termination benefits to be provided to Mr Ian Campbell

Resolution 4 seeks approval for the provision of certain benefits to the Managing Director and Chief Executive Officer of the Company, Mr Ian Campbell, on his cessation of employment with the GUD Group.

The Corporations Act 2001 (Cth) (**Act**) restricts the benefits which can be given to certain individuals (those who hold a managerial or executive office, as defined in the Act) on cessation of their holding such an office with the Company and its related bodies corporate. Under section 200B of the Act, a company may only give a person a benefit in connection with their ceasing to hold a managerial or executive office in the Company or a related body corporate if it is approved by shareholders or an exemption applies.

The provisions of the Act relating to termination benefits were amended in 2009 to significantly reduce the maximum termination benefits that can be given without prior shareholder approval and to expand the scope of the provisions. Prior to the changes, benefits equivalent to up to 7 times total annual remuneration (averaged over the 3 years prior to cessation) could be provided without shareholder approval. As a result of the changes to the law, benefits equivalent to 12 months' average annual base salary can be provided without shareholder approval (that is, benefits above that amount can only be paid with shareholder approval). The new, lower terminations benefits cap applies to all directors (including executive directors of the Company) and all key management personnel of the Company, in respect of contracts entered into, extended or varied after 24 November 2009.

Mr Campbell has been the Managing Director and Chief Executive Officer of the Company since October 1998. In 2008 his current fixed term contract of employment was extended to 31 December 2010. The Company has now entered into a new contract of employment with Mr Campbell to extend his term of employment to 1 July 2013. Accordingly, Mr Campbell's new contract is subject to the new termination benefits laws.

The new contract is on similar terms to Mr Campbell's prior contract. In particular, the remuneration and termination benefits provided for under the new contract are substantially similar to those to which Mr Campbell was entitled under his prior contract.

Details of Mr Campbell's remuneration for FY2010 can be found in the Company's 2010 Annual Report. A summary of the key terms of the new contract were notified to the ASX on 14 September 2010. A copy of that announcement can be found on the Company's website.

In summary, the remuneration package under the new contract includes an initial Total Fixed Remuneration of \$1,105,500 per annum (which includes superannuation and motor vehicle benefits), plus a short term incentive opportunity (\$200,000 at target) and a long term incentive opportunity (\$350,000 at target) for FY11.

Mr Campbell may terminate the contract on providing 6 months' notice in writing, or otherwise in the event of a fundamental change in his role. The Company may terminate the contract by giving 6 months' notice, or for cause (without the need to give notice). The Company may elect to pay Mr Campbell in lieu of part or all of the notice period and may require that Mr Campbell not attend the office, not undertake any work or undertake only limited work during part or all of this period.

In addition to any payment made in lieu of notice, Mr Campbell is entitled to certain benefits of termination of employment in the following circumstances:

- where the Company provides notice;
- Fundamental Change;
- Resignation;
- Retirement; or
- the expiry of the contract.

The termination benefits payable to Mr Campbell under his new contract are detailed below.

Cause of termination	Notice period	Cash payment	Short term incentive (STI)	Long term incentive (LTI)
Termination of employment for cause	NIL	NIL	NIL	NIL
Termination of employment in all circumstances other than for cause	6 months (Company can elect to pay out notice period). In the case of termination due to Fundamental Change, the Company will make a lump sum payment to the CEO equivalent to the 6 month notice period.	Payment of a lump sum equivalent to the CEO's Total Fixed Remuneration for the 12 months immediately preceding the date of termination. Payment of a lump sum equivalent to the CEO's: • Target STI opportunity; and • LTI grant (assuming on-Target vesting), for the financial year in which notice is given.	Pro-rata payment based on: • the proportion of the performance period actually worked; and • subject to the satisfaction of the applicable performance measures; applied at the normal testing date.	LTIs that have: • been granted and are due to vest in the financial year in which the CEO's employment ceases; or • have vested but remain subject to restrictions which are due to cease during the financial year in which the CEO's employment ceases, continue on foot in accordance with the terms of the grant, except that any payment made will be pro-rated based on the proportion of the performance period actually worked.

These termination benefits payable to Mr Campbell under the new contract will exceed 12 months' average annual base salary. Accordingly, shareholder approval is being sought for the purposes of sections 200B and 200E of the Act to enable the Company to pay these termination benefits on Mr Campbell's cessation of employment.

The actual value of these termination benefits cannot be ascertained in advance. This is because various matters, events and circumstances will or are likely to affect the calculation of the value. In particular:

- the value of the lump sum payment depends on the CEO's Total Fixed Remuneration, Target STI and Target LTI at the date of cessation, which may have changed from the initial amounts set out in the contract as a result of the review process provided for in the contract; and
- the value of the pro rata STI and of the LTI which continues on foot depends on the period of the relevant financial year worked and the performance against the applicable performance conditions.

The Board is of the view that the termination benefits which may be provided to Mr Campbell under his contract are appropriate as they largely reflect the arrangements in his prior contract and recognise his contribution to the Company and the success of the GUD Group. The Board believes it is appropriate for Mr Campbell's prior remuneration arrangements and termination arrangements to be largely reflected in his new contract. The Company is required to seek approval for these payments due to the changes in law discussed above. If the law had not changed, the Company would not be obliged to seek approval prior to being able to make these payments. In effect, the Company wishes Mr Campbell to be in largely the same position as he was previously, and it is now required to seek shareholder approval to fulfil that intention.

Board recommendation

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

Section 200E(2A) of the Corporations Act prevents a retiring managerial or executive officer from voting on a resolution to approve the giving of a benefit on cessation of employment. Accordingly, Mr Campbell and his associates may not vote on this resolution, other than as a proxy appointed in writing where it is specified how the proxy is to vote on the resolution.

Information for Shareholders

Attendance at the meeting

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

Voting

For the purposes of voting at the meeting, the Directors have determined that persons holding shares in GUD Holdings Limited registered as at 7.00pm in Melbourne on 19th October, 2010 will be treated as shareholders of the Company.

Appointment of proxies

A proxy form accompanies this Notice of Annual General Meeting.

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

Where a shareholder wishes to appoint two proxies, an additional proxy form may be obtained by contacting the Company's Share Registry. A shareholder appointing two proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a shareholder appoints two proxies but fails to specify the proportion or number of votes that each may exercise, each person appointed may exercise half the member's votes. Fractions of votes are to be disregarded.

To be valid, the proxy form, and any authority under which the form is signed, must be received by the Company or the Company's Share Registry prior to 11am, Tuesday, 19th October 2010. Proxies may be returned by mail in the reply paid envelope provided, by hand to Computershare Investor Services Pty Limited, 452 Johnston Street, Abbotsford, Victoria 3001 or by facsimile (within Australia) 1800 783 447; (outside Australia) +61 (0) 3 9473 2555. For Intermediary Online subscribers only (custodians) www.intermediaryonline.com.

Reviewing the Annual Report

If you have not received a copy of the Annual Report with this Notice of Meeting you may view the 2010 GUD Annual Report online at the Company's website www.gud.com.au.

Share Registry

Computershare Investor Services Pty Limited
GPO Box 242,
Melbourne Victoria 3001 Australia
Yarra Falls, 452 Johnston Street,
Abbotsford Victoria 3067 Australia
Enquiries within Australia – 1300 750 505
Enquiries outside Australia – +61 3 9615 5970
Website – www.computershare.com

Email: web.queries@computershare.com.au



GUD Holdings Limited

ABN 99 004 400 891

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

Lodge your vote:



Online:

www.investorvote.com.au



By Mail:

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

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

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

For all enquiries call:

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

Proxy Form



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

www.investorvote.com.au



Cast your proxy vote



Access the annual report



Review and update your securityholding

Your secure access information is:

Control Number: 999999

SRN/HIN: 1999999999

PIN: 99999



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



For your vote to be effective it must be received by 11.00am (AEDT) Tuesday, 19 October 2010

How to Vote on Items of Business

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

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

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

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

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

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

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

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

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

Attending the Meeting

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

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

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

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

☐

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



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Proxy Form

Please mark ☒ to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

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

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the Chairman
of the meeting OR



PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of GUD Holdings Limited to be held at RACV Club, Level 17, 501 Bourke Street, Melbourne on Thursday, 21 October, 2010 at 11.00am and at any adjournment of that meeting.

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 Re-election of Director - Mr Ross Herron

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SPECIAL BUSINESS

Item 3 Remuneration Report

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Item 4 Termination benefits to be provided to Mr Ian Campbell

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

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

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact
Name

Contact
Daytime
Telephone

Date / /

GUD

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Computershare +



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Strategic Direction

GUD Holdings is the owner of Australasia's premier portfolio of consumer and industrial brands. These include Sunbeam, the leading small appliance brand in both Australia and New Zealand; Davey, a leader in the internationally dynamic water products sector; Ryco and Wesfil in the automotive aftermarket; Oates, the local market leader in the cleaning products markets in both retail and commercial segments; and Lock Focus, a market leader in its niche security products segment.

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

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

GUD passionately believes in the importance of brands that are strong with their respective target audiences; it is brands that provide the platform for sustained financial success. Fundamental to supporting brand growth is new product activity and every GUD business has an intensely active new product program. GUD greatly values new product development and innovation.

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

Significant results and actions 2009/10

- Record set of financial results: highest net profit after tax, lowest year-end net debt position and record level of operating cash flow.
- EBIT improvement of 18% over the prior year with double digit EBIT growth in all businesses.
- Improvement in Cash Value Added returns in every business.
- Initiated a bid for Breville Group Limited following May 2009 purchase of 19.4% of Breville's shares. The bid lapsed in February 2010 following objections from the competition regulator.
- Initiated a bid for Dexion Limited, which is expected to be completed in the first half of 2010/11.
- Made small bolt-on acquisition for Oates of a chemical cleaning products business. Oates has the opportunity to significantly grow sales of these products through its superior distribution network of industrial cleaning products customers.

The Chairman and Managing Director's Review



Clive Hall Chairman



Ian Campbell Managing Director

Share price performance GUD Holdings (\$A)
July 2005 – June 2010



The GUD group reported a record financial performance for the 2009/10 year. This followed a solid performance in the prior year, the year that the global financial system experienced a near meltdown.

One of the pleasing aspects of the performance is that all business segments contributed to the improvement. Additionally, improvement came not only in profitability, but also in the balance sheet and all significant financial ratios.

Following the global financial crisis, trading conditions throughout most of 2009/10 were inconsistent. This was especially the case in the second half as consumers in Australia did not have the benefit of the government cash handouts that stimulated activity in the prior year.

The highlights of performance in 2009/10 were:

1. A modest growth in revenue to just under \$477 million, despite Sunbeam retracting from most segments in personal care appliances and suffering from reduced demand for winter seasonal products in 2010 due to prolonged mild conditions at the start of the season.
2. An improvement in underlying net profit after tax of 24% to a record \$46.4 million, allowing for an increase in annual dividend from 60 to 62 cents.
3. Reported net profit after tax increased 33% to \$46.4 million. There were no significant items in the 2009/10 result, while in the prior year a cost of \$2.6 million after tax was incurred following the one-off restructure of interest rate hedges.
4. Improved operating performance across every business. In 2009/10 GUD's businesses benefited from the full year effect of initiatives taken at the onset of the global financial crisis; these initiatives held for the full year and included selective price increases, improved buying terms from suppliers and tight working capital controls. As a major importer of components and finished product, GUD also gained from the stronger Australian dollar.

5. A strong balance sheet position at year end, resulting from record operating cash flows and a \$40 million institutional equity raising. Net debt at 30 June 2010 was a record low of \$16.3 million, while net debt to equity declined to 7.5% at balance date. This financial strength positions GUD comfortably for the imminent acquisition of Dexion and for either organic growth or additional complementary acquisitions.

Apart from the strength of the operating performance, the 2009/10 year was one in which GUD was active in significant corporate activities. These activities, the details of which follow, were designed to fundamentally alter the size of the business so that, in future years, shareholders could benefit from a stronger and significantly larger overall business.

Two major corporate activities were embarked upon in 2009/10. The first of these was a proposed acquisition of the Breville Group, which unfortunately was not feasible following Australian Competition and Consumer Commission (ACCC) objection. The second, a proposed acquisition of Dexion Limited, is occurring at the time of writing and it appears that Dexion will become GUD's substantial fifth arm during the 2010/11 financial year.

\$46.4m

Record level of net profit after tax in 2009/10, an increase of 33% on the prior year

28%

Increase in earnings per share to 76.5 cents

18%

EBIT improvement over the prior year with contribution from all businesses

Breville transaction

The initiative to acquire Breville occurred following GUD's purchase of 19.4% of Breville's shares in May 2009. These shares were acquired from a US-based hedge fund that, in the environment of the global financial crisis, was keen to liquidate relatively small offshore investments. In the recent past, prior to the 2008 financial turmoil, this hedge fund held shares in both GUD and Breville with the view to merging these businesses to form a strong Australasian appliance business with global scale.

GUD acquired the Breville stake for an outlay of \$18.2 million, or 72 cents per share.

A bid for the remaining shares in Breville was launched in October 2009. The fundamental strategic rationale for combining Sunbeam and Breville was sound, as significant economies of scale could be captured, especially in 'back office' operations. GUD's intentions were to leave in place the customer-facing functions of each business and to continue to develop each of the brands independently.

The bid was subject to ACCC's agreement that it would not oppose the acquisition. After conducting market enquiries the ACCC advised that it would oppose the acquisition of Breville. Following consideration of the further costs and time involved in appealing the ACCC's decision, it was decided to let the bid lapse in February 2010.

This was, from GUD's perspective, a disappointing end to an activity that would have created a strong, substantial Australian-based small appliance business with global scale and reach. Notwithstanding the failure of this initiative GUD continues to hold the Breville stake. This is now valued at around three times its purchase cost and is self-funding.

Dexion bid

The opportunity to add a fifth arm to GUD's activity portfolio is presented by the current initiative to acquire Dexion.

Dexion is a major participant and market leader in the industrial and commercial storage industries. It has been listed on the Australian Stock Exchange since 2005 and has operations across Australia, New Zealand, China and Malaysia.

The nature and profile of Dexion precisely fitted GUD's acquisition criteria and, following due diligence, a formal offer was launched in June 2010. The offer has the unanimous recommendation of Dexion's directors.

When the offer closed on 20 August 2010, GUD's relevant interest in Dexion was 97.84%. GUD announced it would proceed with compulsory acquisition of the outstanding shares.

Following successful completion of the transaction, GUD intends to conduct a comprehensive strategic and financial review of Dexion. Subsequent to this review, a post-acquisition operating plan will be developed specifically detailing the following:

- opportunities to accelerate growth in international markets;
- review of major supply contracts;
- profitability of individual Dexion product and operating streams;
- opportunities for rationalisation and outsourcing; and
- implementation of GUD's operating and financial reporting policies.

GUD intends to manage Dexion as a separate business entity and does not intend to integrate it with other GUD businesses. The strong autonomous and highly accountable nature of the GUD business structure will be maintained following this acquisition.

Capital Management

At the end of the 2009/10 financial year GUD's balance sheet position was exceptionally strong. This position was reached from a combination of a record level of operating cash flow – \$78.2 million – and a number of capital management initiatives undertaken through the year.

The first of these was the reintroduction of the Dividend Reinvestment Plan (DRP) in late 2009, coincident with the final dividend payment for the 2008/09 year. Nearly 950,000 new shares were issued in 2009/10 under the DRP, which was active for both the 2008/09 final dividend and the 2009/10 interim dividend.

In addition to improving the capital base of the Group, the DRP has favourably impacted cash flow, as \$8.5 million was saved due to the dividend foregone in exchange for additional shares.

The second capital management initiative was an institutional equity raising of \$40 million completed in June 2010. This institutional placement was oversubscribed with strong demand from both existing and new Australian and offshore investors. The proceeds from this new equity will be used to partially fund the Dexion acquisition.

Following the institutional equity raising, the opportunity was presented to GUD's smaller shareholders to participate in a Share Purchase Plan, with the intention of raising an additional \$15 million of equity. Similar to the institutional raising, this was also oversubscribed, reflecting the confidence of the market in GUD's direction, its strong portfolio of brands and its ability to successfully integrate Dexion into the GUD operational and financial culture.

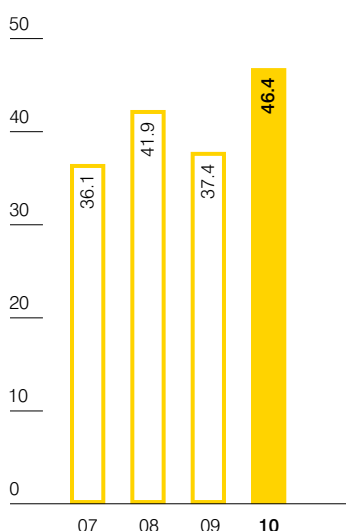
\$78.2m

Record level of operating cash flow, up 35% on the prior year

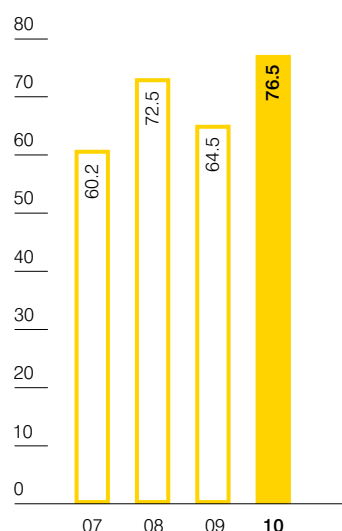
\$16.3m

Record low level of net debt at year end

Underlying profit after tax
(\$ millions)
(before restructuring costs)



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



After the completion of the Dexion transaction, GUD will remain financially strong and will have the ability to conduct further substantial acquisition activities, when opportunities are identified.

People, Health and Safety

Employment numbers in the Group remained relatively stable during the year, with 910 employees at year-end compared with 925 at the end of FY2009. There were no major acquisitions or divestments during the year and no significant restructuring activities to affect employee numbers.

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

The Company completed its three-year plan to significantly reduce lost time injuries. Over the three years, the number of workplace injuries decreased by 73% and the lost time injury rate declined 63%.

However, the Company continues to experience significant days lost due principally to soft tissue injuries experienced in an ageing workforce. Management is addressing the causes of these injuries, educating and training the workforce on how to avoid such injuries and placing extra emphasis on return to work programs.

The safety record at a number of our businesses, in some cases exceeding three years without a lost time injury, is a credit to the management in those businesses and our employees' commitment to improved safety in the workplace.

Future Direction

GUD's future prosperity depends on successful management of its unique portfolio of brands; brands are the underpinning of future revenue streams and gross profit margins and hence, the Group's profit growth. The acquisition of Dexion undoubtedly strengthens this brand portfolio.

Effective brand management encompasses the company-wide activities that remain at the core of GUD's direction. These activities are:

- An innovation culture, concentrating on new products, processes and technologies. New products drive revenue growth and, when coupled with the strength of GUD's brands, should provide margin protection.
- Ensuring each business remains cost competitive in its industry. This requires active management of make versus buy economics and actively seeking new, more cost effective, quality-endorsed suppliers. Cost competitiveness ensures the continued ability of GUD's brands to retain their relative price positions and to generate adequate profit margins in the face of increasingly competitive market conditions.

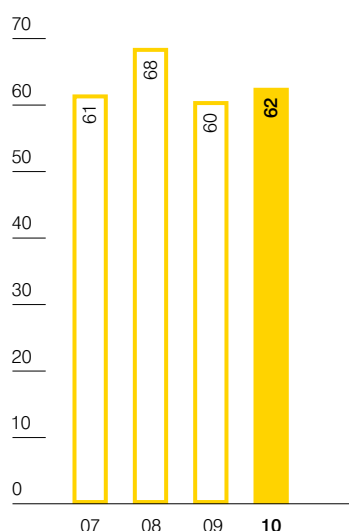
In addition, GUD remains focused on applying the disciplines of continued tight cost controls, consistent application of cash value added principles and strong balance sheet management.

The Board and Management believe that superior shareholder returns will be generated through a combination of applying these essentials consistently over the long term.

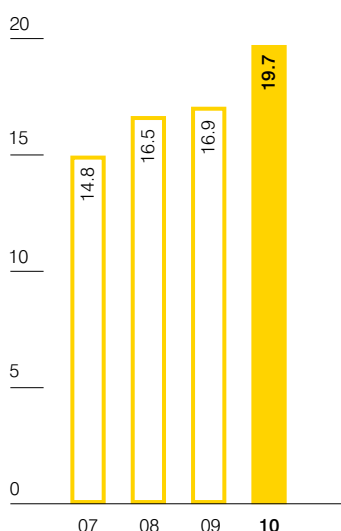
Clive Hall
Chairman

Ian Campbell
Managing Director

Dividends declared per share
(cents)



CVA return
(%)



Summary of Operations

Consumer Products

Security Products



Products

Small electric appliances:

- Café Series range
- Electric blankets
- Toasters, kettles, irons
- Food preparation
- Coffee makers
- Snackmakers
- Juicers
- Portable heating
- Gas and electric barbecues

Significant Events

Continued the roll-out of the 'Designed to Help' branding campaign.

Sponsored the second series of MasterChef® with substantial benefits for the Sunbeam brand.

Regained market leadership position in New Zealand.

Launched new range of 'Verve' model steam irons.

Future Direction

Invest heavily in new products and technologies to grow sales and margins.

Continue to progressively upgrade existing product lines.

Actively manage the supplier base to reduce the impact of cost increases while retaining Sunbeam's quality position.

Develop and enter new categories where appropriate.



Products

Full range of cleaning products:

- Mops and buckets
- Brooms
- Brushware
- Cleaning cloths and wipes
- Scourers and sponges
- Commercial cleaning products
- Research Chemicals and Citrus Resources cleaning chemicals

Significant Events

Benefited from strong sales momentum.

Acquired cleaning chemicals business in June 2010.

Commenced diversifying supply sources to South East Asian nations.

Maintained leadership in the Australian cleaning products markets.

Future Direction

Integrate the cleaning chemicals acquisition and maximise the available sales opportunities.

Seek further avenues for revenue and profit growth, including new products and complementary acquisitions.

Continue to focus on innovative product design and development.

Continue to support the Oates brand to build equity with consumers.



Products

Locking systems and other security products:

- Lock Focus garage door locks
- Lock Focus metal furniture locks
- Lock Focus caravan locking systems
- Locktech safes and electronic locks
- Kiroo electrical cabinet hardware

Significant Events

Financial improvement underpinned by focus on customer and product profitability.

Renewed impetus put into new product programs.

Established new distribution arrangements for New Zealand and Western Australia.

Implemented GUD Group brand management program.

Future Direction

Investment in new product development activities to drive sales growth.

Improved sales representation to drive sales growth.



Water Products



Products

Pumps and water products:

- Davey water pressure systems and FireFighter® pumps
- RainBank® rainwater controllers
- ISOspec® irrigation pumps
- Spa-Quip spa pool products
- Steriflo UV water disinfection
- Filterpure cartridge filtration
- Microlene water purifiers and coolers
- Monarch Series pool gear

Significant Events

New Chief Executive commenced August 2009.

Benefited from growing sales momentum in international swimming pool products markets.

Closed WA manufacturing to further reduce costs.

Launched second generation Torrium pump controller.

Future Direction

Target sales growth in water treatment and water conservation segments.

Regain market share in swimming pool segment through targeted marketing activities in the 2010/11 season.

Grow sales in New Zealand through the expanded distribution base.

Continue to implement the single branding concept to build Davey's equity with consumers.



Automotive Products



Products

Automotive aftermarket products:

- Ryco oil, air, fuel, cabin air and in-line fuel filters
- Goss fuel pumps and associated engine management products

Significant Events

Finalised the integration of Goss into the Australian Ryco business.

Secured filter supply to Supercheap Auto in New Zealand.

Countered patchy trading conditions, especially in the second half.

Future Direction

Seek to grow Ryco with further complementary product line extensions.

Continue to support the Ryco brand to build brand equity with mechanics and fitters.

Actively manage the supplier base to reduce the impact of cost increases whilst retaining Ryco's quality position.



Products

Automotive aftermarket products, including Wesfil and Cooper filters.

Significant Events

Benefited from sales momentum across all branches.

Expanded warehousing facilities to incorporate business growth.

Countered patchy trading conditions, especially in the second half.

Implemented GUD Group brand management program.

Future Direction

Continue to grow sales through maximising the close-to-market benefit of the branch network.

Pursue opportunities to open new branches, where viable.

Actively manage the supplier base to reduce the impact of cost increases while retaining Wesfil's quality and service position.



Consumer Products

Review of Business

GUD's Consumer Products segment comprises the market leading Sunbeam and Oates businesses. Both these businesses manage market leading brands, in Sunbeam's case on both sides of the Tasman Sea. Sales declined marginally, by 2%, on the prior year level, and EBIT increased 13% to just under \$34 million.

Performance Summary	2010 \$'000	2009 \$'000
Sales	249,721	254,863
Segment Profit	33,864	29,940
Segment Assets	140,114	138,416

Sunbeam management

David Jackson
Chief Executive Officer
Sunbeam Corporation Ltd

Christine Johnston
General Manager
Sunbeam Corporation Limited (NZ)

Sunbeam

In the face of fickle consumer purchasing patterns and increasing competition from low specification and lower quality, priced-pointed appliances, Sunbeam traded satisfactorily in the 2009/10 year.

The decline in sales for the Consumer Products business was solely tied to a combination of Sunbeam's withdrawal from most personal care categories, which were underperforming and offered no long-term growth potential, and low demand for electric blankets and heaters in both Australia and New Zealand due to a delayed start to wintry conditions in both markets.

The retail environments in both Australia and New Zealand have been far from buoyant, but despite this, Sunbeam retained its market strength in the former and regained market leadership in the latter.

Sunbeam Australia has benefited incalculably from its involvement with the hugely successful MasterChef® television phenomenon. Sunbeam's sponsorship of this enormously popular show has positioned the brand strongly with Australian consumers and this is manifesting in strong sales of food preparation products that have featured on the program.

Sunbeam's brand support activities extended beyond MasterChef® and included active involvement in Good Food Shows around the country and an unmatched, coordinated Christmas marketing program in 2009.

Sunbeam's contribution to the improvement in Consumer Products' EBIT stemmed from a combination of product cost reductions and improved supplier buying terms negotiated at the onset of the global financial crisis, a benefit from the stronger currency throughout the year and the withdrawal from the lower profit generating personal care categories.

In New Zealand, a focus on more structured approach to retail ranging has resulted in market share gains across many categories at a time when consumers continue to down-trade to cheaper alternatives.

The retail trade continues to undergo substantial change and rationalisation in both Australia and New Zealand. Generally, small independent electrical retailers are losing market share and discount mass merchants are the winners. These forces have serious implications for major brands over the long term. They impose on brand owners the imperative to continue investing in new products to ensure that consumers are able to make effective purchasing decisions on the basis of product features and benefits, not just on price.

Sunbeam continues to invest heavily in new products and innovations, in addition to regularly updating existing product lines. This activity is evidenced by the launch in March this year of Sunbeam's new range of steam irons, the Verve™ model range, replacing the highly successful Ultura® range. Despite Sunbeam's continued leadership position in irons, the brand has not stood still and now offers consumers a range of stylish, modern and functional irons that meet today's needs.

This philosophy applies across the Sunbeam product range; it is actively pursued daily. Innovation is essential to ensure Sunbeam maintains its leadership position in both Australia and New Zealand. It underpins the business's ability to continue generating the level of returns that are satisfactory to GUD and its shareholders.





Oates management

David Birch
Chief Executive Officer
E D Oates Pty Ltd

Oates

2009/10 was the second consecutive year that Oates operated as an outsourced business model. The cost base of this business is now structured adequately, and Oates actively built on the sales momentum it commenced generating late in the previous financial year.

Oates increased market share across most of the categories it is active in due to a combination of continued new product introductions, enhanced retailer support programs, stable product quality and cost competitive product range.

To support its growing business Oates made changes to some of its interstate warehousing arrangements. The facilities are a key to maintaining a high level of customer service as they allow the business to provide speedy and reliable product supply to local industrial and commercial customers as well as to retailers that operate on a direct-to-store supply basis.

Consistent with the GUD Group's initiative to diversify its supply base and to reduce the reliance on China as a dominant supply source over the longer term, Oates increased its purchase volumes from established suppliers in Sri Lanka, Thailand and Malaysia, in particular.

Late in the financial year Oates completed the acquisition of a relatively small, niche chemical cleaning products supplier in Sydney. The operations of this business, which encompass warehousing and distribution, but not manufacturing, will be integrated into Oates in the first half of the current financial year. The products sold by this business have a strong following with commercial cleaners and with two unique product ranges – Research Chemicals and Citrus Resources – Oates has the potential to substantially grow sales through its broader distribution network.

Through its traditional business and with the added opportunity from cleaning chemicals, Oates is well positioned to contribute further growth to GUD's Consumer Products business.

Security Products

Review of Business

Although the smallest of GUD's businesses, Security Products fits the operating profile of the Group and generally delivers a consistent level of profitability. Additionally, as it services original equipment manufacturers it is not subject to changes in consumer sentiment. It provides a small counter to these macroeconomic factors that partially impact other Group businesses.

Performance Summary	2010 \$'000	2009 \$'000
Sales	12,342	11,457
Segment Profit	1,729	1,271
Segment Assets	12,792	13,962



Lock Focus management

Geoff Charnley
Chief Executive Officer
Lock Focus Pty Ltd

Lock Focus

Security Products comprises Australia's only manufacturer of disc tumbler locks, which have application in a varied customer base. Its locks are used by manufacturers of roller and garage doors, filing cabinets and associated office furniture and caravans and other leisure vehicles.

Trading under the Lock Focus name, the business also supplies components to manufacturers of electrical cabinets and other related industries. Additionally, it imports and markets a range of highly featured domestic and commercial safes and sells a range of imported electronic door locks.

The financial performance of this business in 2009/10 showed an improvement on the disappointing results for the prior year. Profitability returned to more historical levels, although not quite matching the peaks reached in past years.

The turnaround was due to a combination of factors, including:

- a rebound in sales to building and leisure customers as they re-stocked following the prior year's de-stocking; and

- margin improvement from a more structured approach to product and customer pricing initiated by the new Chief Executive, who was appointed late in the previous financial year.

The loss of a significant base of low margin business late in the 2009/10 year has not only led to an improvement in profitability, but also opened up opportunities in the market that were previously not accessible. These could lead to substantial sales and margin growth in 2010/11 and beyond.

Further sales growth is expected as a result of new distribution arrangements for two market areas – Western Australia and New Zealand – that were finalised in the second half.

With a combination of a more structured management approach, new product programs, new market opportunities and a general improvement in economic conditions, the security business should report further sales and profit growth in the current year.

Water Products

Review of Business

The benefits of unifying the management structure following the various acquisitions completed by this business from 2004 to 2006 are evident in the 2009/10 results. Sales improved 6%, while EBIT grew 31% to a record \$19.6 million.

Performance Summary	2010 \$'000	2009 \$'000
Sales	131,016	123,593
Segment Profit	19,593	15,004
Segment Assets	92,438	95,474

Davey management

Carsten Andersen
Chief Executive Officer
Davey Water Products Pty Ltd

Davey

The Davey water products business enjoyed sales growth across most of its major markets. In the Australian market, sales of water conservation products, including Davey's market leading RainBank® controller, and water treatment products were particularly strong. This offset continued softness in demand for traditional household and farm pumps.

In international markets Davey experienced strong demand for its swimming pool product range, in particular for salt water chlorinators in which Davey is an industry leader, following the acquisition of Monarch Pool Systems in July 2006. Unfortunately, the strength of the Australia dollar affected the returns achieved by the international business, but growing business in the USA and France is encouraging for the future.

Davey's operation in New Zealand, which still manufactures much of the spa pool product range, gained momentum as expanded distribution and greater activity in industrial and municipal water treatment markets provided the platforms for sales growth.

Like all GUD businesses Davey operates an active new product program. In 2009/10, the most significant new product introduction was the second generation Torrium® pump controller. Torrium® continues to lead the market for highly sophisticated and reliable controllers for household water pressure systems. Torrium's heritage is Davey's previous electronic controller, Hydrascan®, which changed the nature of pump controllers when it was introduced in the late 1980s.

The strength of Davey's new product program was recognised through the year with the second generation RainBank – RainBank2 – being bestowed the savewater! Product Innovation Award for 2009.

As GUD's principal manufacturing business, Davey continues to explore ways to reduce factory and product costs. The business is extremely active in pursuing lean manufacturing techniques and regularly benchmarks itself against other, similar, local manufacturers. During the 2009/10 year, the manufacturing operations in Western Australia, which Davey inherited with the Monarch Pool Systems acquisition, were closed and merged with the main facility at Scoresby. This was made possible following the cessation of electric motor manufacturing at Scoresby and the subsequent outsourcing of these components.

A new Chief Executive, Carsten Andersen, commenced with Davey in August 2009, following the retirement of David Cleland after 14 years leading this business. Carsten has an international pump industry background and brings a different but positive perspective to this major GUD business.

One of major initiatives stemming from the management change has been the focus on reducing the number of individual product lines. Not only will this lead to lower inventories, but it will also simplify the business and allow it to provide higher customer service standards. The proliferation in product lines is a product of the three acquisitions undertaken Davey since 2004, as well as being driven by Davey's new product program over the last five years.

GUD believes that the water products industry is one that offers solid long-term growth. It is for this reason that investments in Davey will continue to be made. These investments will drive organic growth, while further complementary acquisitions continue to be a fundamental element of Davey's strategy.



Automotive Products

Review of Business

GUD's Automotive Products businesses compete in the Australian and New Zealand aftermarkets. These markets are extremely competitive and are becoming increasingly more complex as the number of automotive brands and models on the road grows annually. Ryco, Wesfil and Goss are well known and market leading brands in their respective product segments and distribution channels.

Performance Summary	2010 \$'000	2009 \$'000
Sales	81,642	78,421
Segment Profit	21,646	19,305
Segment Assets	31,963	30,655

GUD Automotive management

Bob Pattison
Chief Executive Officer
GUD Automotive Pty Ltd

Wesfil management

Terry Cooper
Managing Director
Wesfil Australia Pty Ltd

Ryco, Wesfil and Goss

Sales in the automotive business segment increased 4% on the prior year's level, principally due to Wesfil's continued sales momentum across its national branch network. Wesfil sells to a network of automotive parts resellers who require high standards of part number availability and delivery service. Through its network of seven branches spread across Australia, Wesfil is able to satisfy the needs of its customers with a comprehensive range of high demand service parts. It is this uniqueness of location and product offering that is driving Wesfil's continued growth.

The Ryco businesses in Australia and New Zealand access the market via large national and regional wholesale distributors. Ryco also accesses the do-it-yourself/home mechanic market through the Supercheap Auto retail chain. In the 2009/10 year, Ryco in New Zealand was successful in securing supply to Supercheap in that market following the Australian business doing the same in the prior year.

With distribution through both major trade-directed outlets and securing the principal retail customer, Ryco, the market leading brand, is accessible to both professional and home mechanics in both Australia and New Zealand.

The Goss range of engine parts, including fuel pumps and carburettor replacement parts, is distributed and marketed by both Ryco and Wesfil in Australia. Until the current year, Goss had been separately managed, but in 2009/10, the integration of Goss into Ryco, which included the closure of a small manufacturing facility in Melbourne, was completed. Integration savings will accrue as a result of this initiative. A new market image for Goss has been developed and is being implemented.

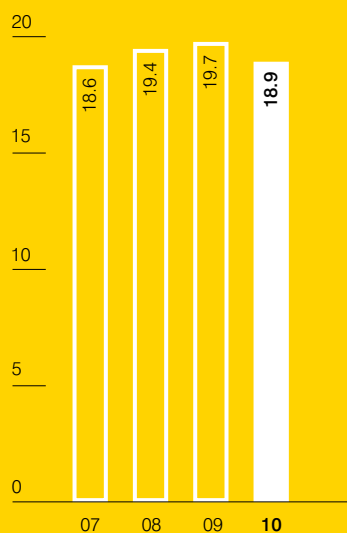
The challenges of managing offshore suppliers became evident during the year and a number of actions have been implemented to ensure that product quality is consistent with the brand positions that Ryco, Goss and Wesfil hold.

The automotive aftermarket is forecast to remain an extremely competitive sector. However, GUD's businesses servicing this industry are well positioned through having the benefits of strong brand positions based on heritage and experience, good product quality, reliable supply sources, and broad distribution and part number coverage.

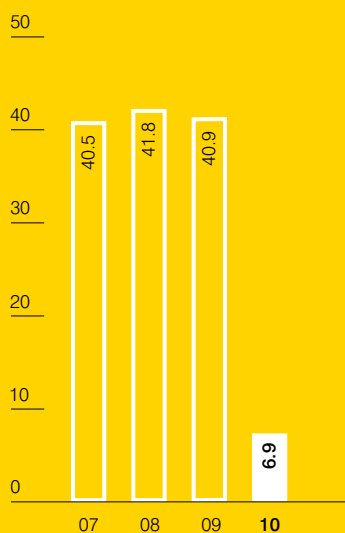


Finance Report

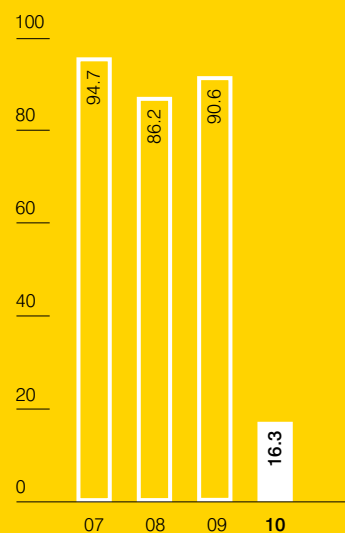
Working Capital (%)



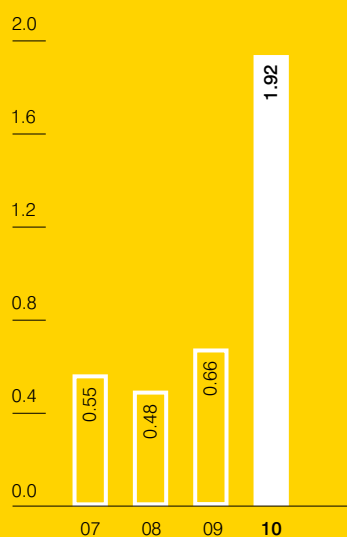
Gearing (%) (net borrowings to total capital)



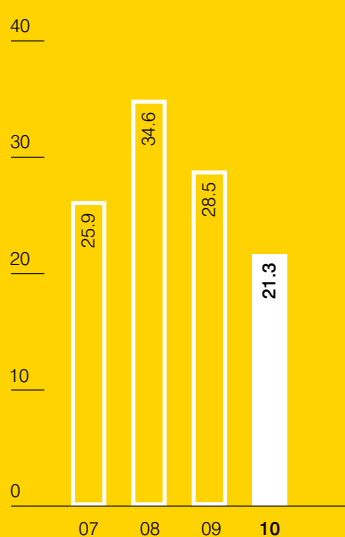
Net Borrowings (\$ million)



NTA (net tangible assets) Per Share (\$)



Return on equity (%) (before significant items)



One of the many highlights of the year was a record operating cash flow of \$78.2 million, up from \$57.9 million in 2009. The full result of working capital strategies introduced during the global financial crisis reduced trade receivables by 4%, inventories by 6% and trade payables increased by 19% – as signalled in the FY2009 Annual Report. Working capital to sales ratio reduced from 19.7% to 18.9%.

In addition to working capital successes, the GUD dividend reinvestment program contributed a further \$8.5 million of cash retention.

Whilst adequate existing funding facilities were in place for a full cash offer, in preparation for the Dexion acquisition, a capital raising of \$39.3 million was completed and substantially oversubscribed.

As a result of these measures, net borrowings reduced from \$90.6 million to \$16.3 million at 30 June 2010.

Since 30 June, a Share Purchase Plan has raised \$15 million, again substantially oversubscribed, illustrating investor confidence in their investment in GUD.

Volatility of the Australian currency continued through FY2010, starting the year at US 81¢, rising to 93.7¢ before plunging back to 77.5¢ and recovering to 85¢ at year-end. GUD was substantially protected through its long-standing foreign exchange risk management program and at year end has significant cover for the full FY2011 year.

As the result of reduced borrowings and aided by interest rate risk management measures and lower market rates overall, interest cost fell by 17% over prior year.

At 30 June 2010, interest cover (EBIT/net interest) improved to 11.2 times from 7.9 times in 2009.

For the full FY2010, an interim dividend of 28 cents per share and a final dividend of 34 cents per share were declared, a total of 62 cents per share, which is an increase of 3% of FY2009. Both dividends were fully franked and all new shares issued through the dividend reinvestment program, institutional capital placement and share purchase program will participate in the final dividend.

One small bolt-on acquisition for Oates was completed and following the capital raisings (and acquisition of Dexion), the GUD balance sheet is well poised to take advantage of further acquisition opportunities as they arise.

The strategic investment in Breville Group Limited has grown from its \$18.2 million purchase price to \$53.7 million and the market value gain of \$30.5 million during the year has bolstered GUD Group equity reserves and assisted net tangible assets per share to increase from \$0.66 to \$1.92 during the year.

The results achieved in FY2010 resoundingly illustrate the performance drivers of the GUD CVA (Cash Value Added) methodology. CVA is used unilaterally across all businesses of the GUD Group as the major KPI, driving operating businesses to reduce assets and maximise profits – thereby maximising cash flow. Senior operating management are measured and incentivated on the CVA basis (see remuneration report page 24).

All GUD businesses achieved or exceeded their CVA target for the year and the Group as a whole again reduced its Total Capital Employed (TCE) base. This, compounded by the highest EBIT net sales margin in the last five years enabled the GUD Group CVA to improve to 19.7%, up from 16.9% in FY2009.

By all measures across all businesses and as a total Group, the CVA rate of return comfortably exceeds the GUD Weighted Average Cost of Capital.

CVA Return Summary FY2007 to FY2010

	FY07 %	FY08 %	FY09 %	FY10 %
Consumer	13.2	17.1	17.6	19.0
Automotive	31.6	45.0	43.2	47.8
Water	14.5	11.2	12.3	15.6
Security	11.9	12.1	9.1	11.5
Group	14.8	16.5	16.9	19.7

Note: Excluding individually significant items

Corporate Governance

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

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

ASX Corporate Governance Principles

The Company considers that the corporate governance framework and practices comply with the ASX Corporate Governance Council's Principles and Recommendations, released in revised form in August 2007.

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

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

1. The Board of Directors

The Board operates in accordance with the general principles set out in its Charter, available to view in the corporate governance section of the Company's website at www.gud.com.au.

1.1 Role of the Board

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

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

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

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

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

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

To fulfil this role, the Board is concerned with:

- Approving the strategic direction for the Company.
- Overseeing the long-term performance against targets and objectives.
- Monitoring environmental and safety performance.
- Monitoring the financial performance, legal compliance and ethical standards.
- Approval of budgets, including significant capital expenditure.
- Establishing and maintaining the quality of the Executive team and, in particular, monitoring and assessing the performance of the Managing Director.
- Assessing business risk profile, risk management and business continuity plans, the adequacy of policies, internal controls and organisation structures.
- Reporting to shareholders on the direction, governance and performance of the Company.

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

1.2 Composition of the Board

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

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

The Board comprises Directors with a broad range of experience having a proper understanding of the current and emerging issues facing the Company, and who can effectively review and challenge management's decisions.

The Board is currently comprised of four Non-Executive Directors (including the Chairman) and two Executive Directors (the Managing Director and Chief Executive, and the Finance Director). Details of the skills, experience and expertise of the Directors, and of the Company Secretary, as well as the period for which the Director has held office are set out on page 34. During the year, Mr G D W Curlewis retired from the Board on 31 December 2009.

1.3 Independence

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

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

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

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

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

1.4 Directors' Interests and Benefits

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

1.5 Term of office and re-election of Directors

In the appointment of Directors, the Board has sought advice from independent sources and undertaken independent professional searches for suitable candidates possessing the appropriate range of skills, expertise and competencies.

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

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

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

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

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

2. Board Committees

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

Board Committees comprise Non-Executive Directors. Details regarding the role of each Committee and their composition as at 30 June 2010 are set out as follows:

Directors	Shares Held Beneficially 30/6/2010		Total 30/6/2010	Total 30/6/2009
	Own Name	Private Company/Trust		
C K Hall	–	72,442	72,442	72,442
G D W Curlewis (retired 31 December 2009)	–	–	NA	12,442
R M Herron	10,000	12,442	22,442	22,442
P A F Hay	1,939	–	1,939	1,814
M G Smith	–	–	–	–
I A Campbell	137,473	130,900	268,373	254,884
R J Wodson	1,068	42,683	43,751	42,442

2.1 Audit & Compliance Committee

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

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

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

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

By invitation, the Managing Director, Finance Director, Company Secretary, Group Finance Manager and representatives of the Company's statutory auditor are present for most of the proceedings.

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

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

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

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

The statutory auditor attends the Annual General Meeting and is available to answer shareholders' questions about the conduct of the audit and the preparation and content of the auditor's report.

2.2 Remuneration Committee:

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

The Committee, by its charter, advises the Board on remuneration policies, practices and recommendations regarding the level and form of Executive remuneration, in particular that of the Managing Director and senior management reporting to the Managing Director.

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

Corporate Governance

The Remuneration Report on pages 24–31 includes further details on the Company's remuneration policy and its relationship to performance.

Details of the remuneration of Directors and Senior Executives for the year ended 30 June 2010 are set out in the Remuneration Report and in Note 21 on pages 61–62.

2.3 Nominations Committee:

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

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

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

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

2.4 Directors' Attendances at Meetings

The Board had 14 meetings during the year.

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

Directors	Board		Audit & Compliance Committee		Remuneration Committee		Nominations Committee	
	Held (a)	Attended (b)	Held (a)	Attended (b)	Held (a)	Attended (b)	Held (a)	Attended (b)
C K Hall	14	13	4	3	2	2	1	1
G D W Curlewis *	7	7	2	2	1	1		
R M Herron	14	13	4	4	2	2	1	1
P A F Hay	14	13	4	3	2	1	1	1
M G Smith	14	14	4	4	2	1	1	1
I A Campbell	14	14						
R J Wodson	14	14						

(a) Meetings held while a member. (b) Meetings attended. * Mr G D W Curlewis retired on 31 December 2009.

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

3. Performance Evaluation and Remuneration

3.1 Performance Evaluation

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

For the 2010 financial year, a performance evaluation was led by the Chairman. The purpose of the review was to assess strengths and weakness of the Board and committees, and identify areas that might be improved. The findings of this performance review have been considered by the Board and have been, and continue to be, taken into account in identifying and nominating new candidates for appointment as Director, and in planning and conducting Board and committee matters.

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

For the 2010 financial year, the performance of the Managing Director was assessed by the Board against achievement by the businesses and the Managing Director of agreed objectives. The performance of the Company's senior Executives during the 2010 financial year was reviewed by the Managing Director and by the Remuneration Committee in June 2010.

3.2 Director and Executive Remuneration

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

The structure and details of the remuneration paid to the Directors and senior Executives during the period are set out in the Remuneration Report on pages 24–31 of this Report and Note 21 to the Financial Statements.

4. Risk Management and Internal Controls

4.1 Risk Management Framework

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

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

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

4.2 Internal Controls Framework

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

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

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

4.3 Managing Director and Finance Director certifications

The Managing Director and Finance Director have made the following certifications to the Board:

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

5. GUD Governance Policies

5.1 Integrity, Ethical Standards and Compliance

The Board has adopted a general policy on Corporate Governance, a Code of Conduct, and other policies and codes, which include procedures for dealing in Company shares, conflicts of interest, obtaining independent professional advice at the Company's expense, and full and timely access to such information necessary for Directors to discharge their responsibilities.

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

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

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

5.2 Dealing in Shares

Under the Company's Dealing in Shares Policy, a Director, Executive or employee or their associates may:

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

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

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

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

5.3 Health and Safety

The Company has continued its emphasis on health and safety in the workplace through the Group Occupational Health and Safety Steering Committee, with representatives from each division meeting monthly to review common policies and procedures and general matters relating to health and safety.

Corporate Governance

The Company has completed its three-year plan to significantly reduce lost time injuries. In the three years we have reduced the number of workplace injuries by 73%, and the lost time injury rate has reduced by 63%. We do however continue to experience significant days lost, due in part to soft tissue injuries experienced in an ageing workforce. Management is focusing its attention on the causes of such injuries, educating and training its workforce on how to avoid such injuries, and placing further emphasis on return to work programmes.

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

5.4 Political Contributions

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

5.5 Continuous Disclosure and Communication with Shareholders

The Company is committed to providing relevant and timely information to its shareholders and to the broader market, in accordance with its obligations under the ASX continuous disclosure regime. The Board has a Continuous Disclosure Programme, details of which are accessible on the Company's website at www.gud.com.au, under Corporate Governance.

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

The Annual Report is sent to all shareholders unless requested otherwise.

Information relating to the Company, including the Annual Report, half year announcement to the ASX and other major ASX announcements, is publicly available on the Company's website at www.gud.com.au, under Investor Relations.

Individual shareholders are given an opportunity to raise questions at the Annual General Meeting. There is regular dialogue with institutional investors and any presentation material is made available to all shareholders by announcement to the ASX.

The Company and each of its divisions have websites – see details on inside back cover.

Documents that are released publicly, including policies and charters described in this statement, are made available on the Company's website at www.gud.com.au.

ASX Corporate Governance Council's Principles of good Corporate Governance and best practice recommendations

	ASX Principle	Reference ⁽¹⁾	Compliance
Principle 1	Lay solid foundations for management and oversight		
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	1.1	Comply
1.2	Companies should disclose the process for evaluating the performances of senior executives.	3.1, 3.2 and Remuneration Report	Comply
1.3	Companies should provide the information indicated in the guide to reporting on Principle 1.	1.1, 3.1	Comply
Principle 2	Structure the board to add value		
2.1	A majority of the board should be independent directors.	1.3	Comply
2.2	The chair should be an independent director.	1.2, 1.3	Comply
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	1.3	Comply
2.4	The board should establish a nomination committee.	2, 2.3	Comply
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	3.1	Comply
2.6	Companies should provide the information indicated in the guide to reporting on Principle 2.	1.2, 1.3, 2.3, 3.1	Comply
Principle 3	Promote ethical and responsible decision-making		
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to:	5.1	Comply
	3.1.1 the practices necessary to maintain confidence in the Company's integrity;	5.1	Comply
	3.1.2 the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and	5.1	Comply
	3.1.3 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	5.1	Comply
3.2	Companies should establish a policy concerning trading in company securities by directors, senior executives and employees and disclose the policy or a summary of that policy.	5.2	Comply
3.3	Companies should provide the information indicated in the guide to reporting on Principle 3.	5.1	Comply

	ASX Principle	Reference ⁽¹⁾	Compliance
Principle 4	Safeguard integrity in financial reporting		
4.1	The board should establish an audit committee.	2.1	Comply
4.2	The audit committee should be structured so that it: – consists only of non-executive directors; – consists of a majority of independent directors; – is chaired by an independent chair, who is not chair of the board; and – has at least three members.	2.1	Comply
4.4	The audit committee should have a formal charter.	2.1	Comply
4.5	Companies should provide the information indicated in the guide to reporting on Principle 4.	2.4	Comply
Principle 5	Make timely and balanced disclosure		
5.1	Companies should establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	5.5	Comply
5.2	Companies should provide the information indicated in the guide to reporting on Principle 5.	5.5	Comply
Principle 6	Respect the rights of shareholders		
6.1	Companies should design and disclose a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	5.5	Comply
6.2	Companies should provide the information indicated in the guide to reporting on Principle 6.	5.5	Comply
Principle 7	Recognise and manage risk		
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	4.1, 4.2	Comply
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	4.2, 4.3	Comply
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	4.3	Comply
7.4	Companies should provide the information indicated in the guide to reporting on Principle 7.	4.3	Comply
Principle 8	Remunerate fairly and responsibly		
8.1	The board should establish a remuneration committee.	2.2	Comply
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	2.2 and Remuneration Report	Comply
8.3	Companies should provide the information indicated in the guide to reporting on Principle 8.	2.4 and Remuneration Report	Comply

⁽¹⁾ All references are to sections of this Corporate Governance Statement unless otherwise stated.

Remuneration Report

The Directors of the Company present the Remuneration Report prepared in accordance with section 300A of the Corporations Act 2001 for the Company and the consolidated entity for the year ended 30 June 2010.

This Remuneration Report discloses the remuneration for key management personnel of the consolidated entity, including the Directors of the Company

and the five most highly remunerated Executives of the Company and the consolidated entity.

The Company's remuneration strategy is designed to attract, retain and motivate appropriately qualified and experienced Directors and Senior Executives. Detail of the Company's remuneration strategy for the 2010 financial year is set out in this Remuneration Report.

This Remuneration Report forms part of the Directors' Report for the year ended 30 June 2010 and includes the transferable disclosure requirements of Accounting Standard AASB 124.

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

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

Section 1 – Non-Executive Directors' Remuneration

Remuneration Policy

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

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

The level of fees is reviewed annually by the Remuneration Committee, based on a recommendation from the Managing Director. In determining the level of fees, external professional advice and available data on fees payable to Non-Executive Directors of similar sized companies are taken into account. The Board will continue to review its approach to Non-Executive Director remuneration to ensure it remains in line with general industry practice and principles of good corporate governance.

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

Fees

The base fee was last increased with effect from 1 July 2009. For the year ended 30 June 2010, Non-Executive Directors' fees were \$84,354 per annum. The Chairman, taking into account the greater time commitment required, received \$210,834 per annum.

The Chairman of the Audit & Compliance Committee receives an additional fee of \$10,000 per annum in recognition of the greater time commitment that role requires.

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.

Details of shareholdings may be found in the Corporate Governance Statement.

Retiring Allowance for Directors

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

The two Non-Executive Directors who were appointed prior to June 2003 (Messrs Hall and Curlewis) continued to be eligible to receive retiring allowances under an agreement entered into at the date of their appointment.

On 22 May 2007, the Board resolved to freeze the retiring allowances to be paid to those Directors at the amount accrued to 30 June 2007. This amount will be paid out to those Directors on their eventual retirement.

The accrued and frozen retiring allowance benefit for each Non-Executive Director entitled to receive one is set out in the table as follows.

Non-Executive Directors Entitled to Retiring Allowance benefits	Date of First Appointment	Accrued Retiring Allowance
C K Hall	13 September 1999	\$451,375
G D W Curlewis (retired 31 December 2009)	1 March 2003	\$157,000

The benefits accrued in previous financial years, totalling \$157,000, in respect of G D W Curlewis were paid to him following his retirement on 31 December 2009.

Superannuation

The Company pays statutory superannuation in relation to its eligible Non-Executive Directors.

Remuneration

Details of the nature and amount of each element of the remuneration of Non-Executive Directors for the year ended 30 June 2010 are set out in the table below.

Non-Executive Directors	Year	Short-term Employee Benefits	Post-employment Benefits		Total \$
		Directors' Fees \$	Superannuation* \$	Retirement ⁽⁵⁾ \$	
C K Hall (Chairman)	2010	210,834	18,975	–	229,809
	2009	206,700	18,603	–	225,303
G D W Curlewis ⁽¹⁾	2010	42,177	3,796	–	45,973
	2009	82,700	7,443	–	90,143
R M Herron	2010	94,354	8,492	–	102,846
	2009	92,700	8,343	–	101,043
P A F Hay ⁽²⁾	2010	84,354	7,592	–	91,946
	2009	6,891	620	–	7,511
M G Smith ⁽³⁾	2010	84,354	7,592	–	91,946
	2009	6,891	620	–	7,511
P G Thomas ⁽⁴⁾	2010	–	–	–	–
	2009	–	52,585	–	52,585
Total Remuneration of Non-Executive Directors	2010	516,073	46,447	–	562,520
	2009	395,882	88,214	–	484,096

* Superannuation contributions on behalf of Non-Executive Directors to satisfy the Company's obligations under applicable Superannuation Guarantee legislation, plus any elected sacrifice of fees to superannuation.

⁽¹⁾ Mr G D W Curlewis retired as a Director on 31 December 2009.

⁽²⁾ Mr P A F Hay was appointed Director on 26 May 2009.

⁽³⁾ Mr M G Smith was appointed Director on 26 May 2009.

⁽⁴⁾ Mr P G Thomas passed away on 31 January 2009.

⁽⁵⁾ Retirement benefits were accrued in previous financial years.

Remuneration Report

Section 2 – Executive Directors' and Senior Executives' Remuneration

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

Executive Director/Senior Executive/ Company Secretary	Position	Company
I A Campbell	Managing Director	GUD Holdings Limited
R J Wodson	Finance Director	GUD Holdings Limited
D Jackson	Chief Executive	Sunbeam Corporation Ltd
D Birch	Chief Executive	E D Oates Pty Ltd
R Pattison	Chief Executive	GUD Automotive Pty Ltd
D Cleland ⁽¹⁾	Managing Director	Davey Water Products Pty Ltd
C Andersen ⁽²⁾	Chief Executive	Davey Water Products Pty Ltd
T Cooper	Managing Director	Wesfil Australia Pty Ltd
M Tyler	Company Secretary	GUD Holdings Limited

⁽¹⁾ Retired August 2009. ⁽²⁾ Appointed August 2009.

Remuneration Policy

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

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

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

The compensation framework provides a mix of fixed and variable remuneration, and one-year and three-year performance bonuses. Most Senior Executives have a significant proportion of their remuneration 'at risk'.

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

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

Company Performance and Shareholder Wealth

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

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

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

The remuneration and incentive framework, which has been put in place by the Board, has ensured that Executives are focused on both maximising short-term operating performance and long-term strategic growth. This has contributed to the Company generating increased shareholder returns, as set out in the table below.

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

Financial Year	EBITA* \$m	EPS Cents	Total DPS Cents	Share Price \$	Dividend yield %
30 June 2006	68.2	67.1	60.0	7.90	7.6
30 June 2007	65.2	56.2	61.0	9.18	6.6
30 June 2008	75.7	62.6	68.0	7.57	9.0
30 June 2009	65.8	60.0	60.0	6.42	9.3
30 June 2010	76.3	76.5	62.0	8.65	7.2

* EBITA excludes significant one-off items.

Components of Remuneration

The Executive remuneration framework has three components:

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

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

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

FY2010	% of Total Target Compensation (annualised)		
	Fixed Remuneration	Performance Based Remuneration (at target) STI	LTI
Executive Directors			
I A Campbell	66.1	12.2	21.7
R J Wodson	65.0	18.9	16.1
Senior Executives			
D Jackson	74.7	15.8	9.5
R Pattison	74.9	15.7	9.4
D Cleland	100	Nil	Nil
C Andersen	74.7	15.8	9.5
D Birch	74.7	15.8	9.5
T Cooper	76.6	14.6	8.8
Company Secretary			
M Tyler	73.3	16.7	10

Fixed Remuneration

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

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

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

Remuneration Report

Variable Performance-linked Remuneration

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

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

One Year Performance Bonus (STI)

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

CVA measures the return on undepreciated and unamortised net assets invested. CVA has been effective because it is the measurement that most closely compares trading profit performance, being reported profit adjusted for non-recurring items, with undepreciated

and unamortised net assets invested.

The Board has selected CVA as an appropriate annual performance measure as it considers that it measures a true level of performance of the business without the distorting effect of financing decisions or accounting charges such as depreciation and amortisation.

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

The CVA STI for target performance varies from 20.8% of salary for the Managing Director, 35% of salary for the Finance Director, to 25% of salary for divisional Executives.

STI	% of Salary*	
	Threshold and Target Performance	Stretch Performance
Executive Directors		
I A Campbell	20.8	31.2
R J Wodson	35.0	52.5
Senior Executives		
D Jackson	25.0	37.5
R Pattison	25.0	37.5
D Cleland	Nil	Nil
C Andersen	25.0	37.5
D Birch	25.0	37.5
T Cooper	25.0	37.5
Company Secretary		
M Tyler	25.0	37.5

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

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

Details of the CVA STI bonuses payable to the Executive Directors and Senior Executives for the year ended 30 June 2010 are set out in the table at the end of this Remuneration Report.

Three Year Performance Bonus (LTI)

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

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

A bonus is paid where the Company's TSR over the measurement period is equal to or exceeds the median (50th percentile) of the comparator group ranked by TSR. The bonus increases up to a maximum of 150% of the target incentive rate upon the Company TSR equalling or exceeding the 75th percentile of the comparator group. In assessing whether the Three Year Performance Bonus hurdle for the Company has been met, the Remuneration Committee receives independent data.

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

The Three Year Performance Bonus (LTI) vests in accordance with the following table shown at right:

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

The Three Year Performance Bonus payment that Executives receive for target performance varies from 36.8% of salary for the Managing Director, 30% of salary for the Finance Director, to 15% of salary for corporate and divisional Executives.

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

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

Current Year Performance

One Year Performance Bonus

In the current year, all businesses in the consolidated entity exceeded CVA targets. As a result all Executives of the business units received an STI bonus payment based on achieving or exceeding the business unit CVA performance. In addition, corporate Executives, including the Managing Director, Finance Director and Company Secretary, received a bonus.

STI bonus payable for the Year Ended 30 June 2010	Actual STI bonus payment* \$	Actual STI bonus payment as a % of maximum STI	% Forfeited
Executive Directors			
I A Campbell	240,391	95.0	5.0
R J Wodson	188,808	95.0	5.0
Senior Executives			
D Jackson	101,417	93.6	6.4
R Pattison	94,294	100.0	Nil
D Cleland	–	Nil	100.0
C Andersen	75,146	76.3	23.7
D Birch	86,250	100.0	Nil
T Cooper	70,270	96.0	4.0
Company Secretary			
M Tyler	86,134	95.0	5.0

* A minimum level of performance must be achieved before any STI bonus is payable.
The payment relates to STI bonus earned in the year ended 30 June 2010 and paid in July 2010.

Remuneration Report

Three Year Performance Bonuses

Three Year Performance Bonuses were achieved for all three TSR performance tranches.

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

TSR Performance Tranche	Current Year (to 30 June 2010)	Prior Year (to 30 June 2009)
1 Year Tranche	70th percentile	71st percentile
2 Year Tranche	77th percentile	87th percentile
3 Year Tranche	92nd percentile	77th percentile

Three Year Performance Bonus (LTI) paid for the Year Ended 30 June 2010	Maximum LTI payment* \$	% Payable	% Forfeited
Executive Directors			
I A Campbell	446,969	100	Nil
R J Wodson	170,325	100	Nil
Senior Executives			
D Jackson	64,969	100	Nil
R Pattison	56,576	100	Nil
D Cleland	Nil	Nil	100
C Andersen	59,106	92.9	7.1
D Birch	51,750	100	Nil
T Cooper	43,919	100	Nil
Company Secretary			
M Tyler	54,392	100	Nil

* The payment relates to Three Year Performance Bonus earned in the year ended 30 June 2010 and paid in July 2010.

Employment Contracts

Executive Directors

The Managing Director (Ian A Campbell) and Finance Director (Roger J Wodson) have entered into employment contracts with the Company.

In the case of the Managing Director, the current contract expires on 31 December 2010. The Board has agreed with the Managing Director to extend this contract to 1 July 2013, the details have not yet been finalised. In the case of the Finance Director, the current contract expires on 31 December 2011. These contracts may be terminated by the Company giving three months notice in writing or, in the case of termination by the Executive, six months notice in writing.

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

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

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

Senior Executives

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

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

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

Remuneration Paid

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

		Short-term employee benefits					Post-Employment Benefits		Total	
	Year	Salary & Fees \$	STI Cash Bonus \$	LTI Cash Bonus \$	Income Protection Premium \$	Car Benefits \$	Superannuation \$	Retirement \$	\$	Proportion of total which is performance related %
Executive Directors										
I.A. Campbell	2010	888,239	240,391	446,969	3,512	52,893	45,211	–	1,677,215	41.0
	2009	830,702	72,465	438,204	3,512	49,662	95,712	–	1,490,257	34.3
R.J. Wodson	2010	479,736	188,808	170,325	3,512	24,074	50,000	–	916,455	39.2
	2009	337,780	56,904	166,950	3,512	26,147	100,000	–	691,293	32.4
Senior Management										
D. Jackson	2010	288,750	101,417	64,969	767	–	51,975	–	507,878	32.8
	2009	299,436	68,750	58,493	–	–	44,976	–	471,655	27.0
J. Lord (Resigned Aug 08)	2010	–	–	–	–	–	–	–	–	0.0
	2009	564,687	–	–	2,810	–	4,140	–	571,637	0.0
D. Birch	2010	230,000	86,250	51,750	–	22,910	41,400	–	432,310	31.9
	2009	225,000	84,375	50,625	–	22,480	40,500	–	422,980	31.9
R. Pattison	2010	251,450	94,294	56,576	2,706	18,929	46,219	–	470,174	32.1
	2009	198,474	90,856	55,463	2,601	21,570	100,000	–	468,964	31.2
D. Cleland (Retired Aug 09)	2010	34,382	–	–	–	14,969	6,566	–	55,917	0.0
	2009	285,000	–	64,125	2,854	40,673	51,300	–	443,952	14.4
C. Andersen (Appointed Aug 09)	2010	262,692	75,146	54,888	–	17,145	47,285	–	457,156	28.4
	2009	–	–	–	–	–	–	–	–	0.0
T. Cooper	2010	195,230	70,270	43,919	2,101	–	58,841	–	370,361	30.8
	2009	191,368	64,989	43,058	2,020	–	58,146	–	359,581	30.0
Total Remuneration of Executive Directors and Senior Executives of the Group including the Company										
	2010	2,630,479	856,576	889,396	12,598	150,920	347,497	–	4,887,466	
	2009	2,932,447	438,339	876,918	17,309	160,532	494,774	–	4,920,319	
Total Remuneration of Non-Executive Directors										
	2010	516,073	–	–	–	–	46,447	–	562,520	
	2009	395,882	–	–	–	–	88,214	–	484,096	
Total Remuneration (Compensation of Key Management Personnel of the Company and Group)										
	2010	3,146,552	856,576	889,396	12,598	150,920	393,944	–	5,449,986	
	2009	3,328,329	438,339	876,918	17,309	160,532	582,988	–	5,404,415	
Remuneration of Company Secretary										
M.G. Tyler	2010	206,470	86,134	54,392	1,420	33,000	25,000	–	406,416	34.6
	2009	175,322	25,965	53,325	1,363	33,000	50,000	–	338,975	23.4

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 2010.

Directors, Company Secretary, Directors' Meetings and Directors' Shareholdings

The names of the Directors who held office during the financial year and details of current Directors' qualifications, age, experience and special responsibilities are set out on page 34. The qualifications and experience of the Company Secretary is also set out on page 34.

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

Corporate Governance Statement

The Corporate Governance Statement of the Directors contained on pages 18–23 is incorporated by reference.

Principal Activities

The principal activities of the consolidated entity during the course of the financial year were the manufacture and importation, distribution and sale of cleaning products, household appliances, automotive filters and automotive products, locking devices, pumps, pool and spa systems, and water pressure systems, with operations in Australia and New Zealand.

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

Review of Operations and Results

A review of the operations of the consolidated entity during the financial year and the results of those operations are set out on pages 2–15 of this Annual Report.

Significant Changes

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

Offer for Dexion

On 21 June 2010 GUD Holdings Ltd announced an off-market takeover offer for the 104,799,366 issued shares of Dexion Limited ('Dexion'), a listed company on the Australian Securities Exchange, to be paid in cash at \$0.80 per share. The takeover offer, recommended by the Dexion Board, has a 90% acceptance condition which means that it is not binding until 90% of Dexion's shareholders have confirmed their acceptance. As at 26 July 2010 the offer is still open and the 90% acceptance condition and other conditions have not been met. The offer period is open until 13 August 2010.

Events after Balance Date

Share Purchase Plan

On 21 June 2010 a share purchase plan ('SPP') for existing shareholders to subscribe for up to \$15,000 of new shares was announced. The SPP which completed on 21 July 2010 was oversubscribed, therefore a scale-back is being undertaken. The issue price for the new shares will be \$8.30 and it is expected that about 1.8 million new shares will be issued. The Company will separately announce the basis of the scale-back and the number of shares to be allotted. Trading in the new shares is expected to commence on 30 July 2010.

Dividend Announcement

On 26 July 2010, the Directors declared a fully franked dividend of 34 cents per ordinary share. Shares will trade ex dividend on 10 September 2010, with the record date of 16 September 2010. The dividend will be paid on 30 September 2010.

Likely Developments

Likely developments in, and expected results of, the operations of the consolidated entity in subsequent years are referred to on page 5 in this Report.

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

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

Environmental Regulation

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

Dividends

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

- A final ordinary dividend of 33 cents per share in respect of the year ended 30 June 2009 was declared on 28 July 2009 and paid on 30 September 2009, amounting to \$19,841,000. This final dividend was fully franked.
- An interim ordinary dividend of 28 cents per share in relation to the year ended 30 June 2010 was declared on 27 January 2010 and paid on 30 March 2010, amounting to \$16,970,000. This dividend was fully franked.
- A final ordinary dividend of 34 cents per share in respect of the year ended 30 June 2010 was declared on 26 July 2010 payable on 30 September 2010 to shareholders registered on 16 September 2010. This dividend will be fully franked.

Share Capital

At 30 June 2010, there were 65,885,213 ordinary shares on issue. During the year the Company issued 941,672 new shares under the GUD Dividend Reinvestment Plan and 4,819,280 new shares in a fully underwritten institutional placement.

Auditor Independence

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

The auditor's independence declaration made under section 307C of the Corporations Act 2001 is set out on page 73 and forms part of this Report.

Non-Audit Services

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

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

Options

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

Derivatives and Other Financial Instruments

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

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

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

Proceedings on Behalf of the Company

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

Indemnity and Insurance

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

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

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

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

Remuneration Policy for Directors and Executives

The policy for determining the nature and amount of remuneration for Directors and Executives is described in the Remuneration Report on pages 24–31, which forms part of this Directors' Report.

Director and Executive Benefits

Details of the benefits paid or provided to Directors and specified Executives are included in the Remuneration Report on pages 24–31, which forms part of this Directors' Report, and in summary in Note 21 to the financial statements.

Rounding Off

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

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



C K Hall
Chairman of Directors



I A Campbell
Managing Director

Dated at Melbourne,
26 July 2010

Board of Directors

C K Hall

*BSc (Metallurgy) BComm.
MBA FCPA FAICD (Age 68)*

Non-Executive Director since 13 September 1999. Appointed Chairman on 27 April 2004. Chairman of the Nominations Committee.

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

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

P A F Hay

LLB MAICD (Age 60)

Appointed Non-Executive Director on 26 May 2009.

Appointed Chairman of Remuneration Committee in June 2010.

Mr Hay is currently Chairman of the Advisory Board at Lazard in Australia. He is also a Director of Australia and New Zealand Banking Group Limited (since October 2008), Alumina Limited (since December 2002), Landcare Australia Limited and the Epworth Foundation.

Mr Hay has been a Member of the Australian Government Takeovers Panel since May 2009 and was appointed to the Board of Directors of NBN Co Limited in August 2009 and as a Director of Myer Holdings Limited in February 2010. Former director of Pacifica Group Limited (retired May 2008).

R M Herron

FCA FAICD (Age 60)

Appointed Non-Executive Director on 17 June 2004.

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

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

Mr Herron is also a Non-Executive Director of The Royal Automobile Club of Victoria (RACV) Ltd (since July 2007), Select Harvests Limited (since January 2005), Heemskirk Consolidated Limited (since June 2004) and a major industry superannuation fund.

M G Smith

*Dip. Business (Marketing) FAMI CPM FAIM
MAICD (Age 55)*

Appointed Non-Executive Director on 26 May 2009.

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

Mr Smith has extensive experience in the FMCG industry, including general management and senior marketing roles with Cadbury Schweppes, and senior roles, including marketing, with Unilever and Uncle Toby's.

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

Former Chairman of the Confectionery Manufacturers of Australasia (CMA) and former Member of the Board of the Australian Food and Grocery Council (AFGC).

I A Campbell

FAICD (Age 60)

Appointed Managing Director on 5 October 1998.

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

R J Wodson

FCPA FAICD (Age 64)

Appointed Finance Director on 25 June 2001.

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

Former Chief Financial Officer of Bunge Defiance Group.

Company Secretary: M G Tyler

LLB BCom (Hons) MBA ACIS

Appointed Company Secretary on 18 November 2005.

Mr Tyler is an associate of Chartered Secretaries Australia, a former partner with Freehills and general counsel with Southcorp Limited. He has held a legal practising certificate in Victoria for 24 years.

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Consolidated Income Statement

For the year ended 30 June 2010

	Note	2010 \$'000	2009 \$'000
Revenue	2 (a)	476,601	468,334
Cost of goods sold		(271,997)	(279,735)
Gross Profit		204,604	188,599
Other income	2 (b)	901	432
Marketing and selling		(56,078)	(55,567)
Product development and sourcing	2 (c)	(6,839)	(5,619)
Logistics expenses and outward freight		(37,260)	(37,623)
Administration		(30,909)	(28,138)
Other		(2,848)	(1,295)
Results from operating activities		71,571	60,789
Net finance expense before interest rate hedging restructure		(6,416)	(7,716)
Interest rate hedging restructure – revaluation and settlement costs		–	(3,732)
Net finance expense including interest rate hedging restructure	2 (c)	(6,416)	(11,448)
Profit before income tax		65,155	49,341
Income tax expense	3	(18,794)	(14,543)
Profit for the period		46,361	34,798
Earnings per share:			
Basic earnings per share (cents per share)	27	76.5	60.0
Diluted earnings per share (cents per share)	27	76.5	60.0

Notes to the consolidated financial statements are annexed.

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2010

	2010 \$'000	2009 \$'000
Profit for the period	46,361	34,798
Other comprehensive income		
Exchange differences on translating results of foreign operations	175	(167)
Fair value adjustments transferred to cash flow hedge reserve	4,216	10,220
Net change in fair value of cash flow hedges transferred to inventory	7,513	(15,046)
Fair value adjustment of available for sale asset	30,464	5,014
Income tax on other comprehensive income	(12,658)	(56)
Other comprehensive income for the period, net of income tax	29,710	(35)
Total comprehensive income for the period	76,071	34,763

Notes to the consolidated financial statements are annexed.

Consolidated Balance Sheet

As at 30 June 2010

	Note	2010 \$'000	2009 \$'000
Current assets			
Cash and cash equivalents	6	25,472	16,206
Trade and other receivables	7	66,212	62,327
Other assets	8	5,875	6,559
Inventories	9	77,294	82,671
Total current assets		174,853	167,763
Non-current assets			
Other financial assets	10	54,223	24,013
Property, plant and equipment	11	18,220	19,609
Deferred tax assets	3(b)	448	456
Goodwill	12	43,872	42,063
Other intangible assets	13	47,984	49,509
Total non-current assets		164,747	135,650
Total assets		339,600	303,413
Current liabilities			
Trade and other payables	14(a)	45,277	44,266
Borrowings and loans	15(a)	873	454
Current tax payables		7,354	4,820
Provisions	16(a)	12,663	13,602
Total current liabilities		66,167	63,142
Non-current liabilities			
Borrowings and loans	15(b)	40,854	106,360
Other financial liabilities	14(b)	455	–
Deferred tax liabilities	3(b)	12,593	1,415
Provisions	16(b)	1,413	1,380
Total non-current liabilities		55,315	109,155
Total liabilities		121,482	172,297
Net assets		218,118	131,116
Equity			
Share Capital	17	142,229	94,505
Reserves	18	28,837	(873)
Retained earnings		47,052	37,484
Total equity		218,118	131,116

Notes to the consolidated financial statements are annexed.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2010

	Note	2010 \$'000	2009 \$'000
Retained Earnings			
Retained earnings at the beginning of the year		37,484	40,273
Profit for the period		46,361	34,798
Dividends paid		(36,793)	(37,587)
Retained earnings at the end of the year		47,052	37,484
Reserves			
Foreign Currency Translation Reserve:			
Balance at the beginning of the year		(619)	(452)
Exchange differences on translating foreign operations		175	(167)
Balance at the end of the year		(444)	(619)
Cash Flow Hedge Reserve:			
Balance at the beginning of the year		(3,764)	(386)
Fair value adjustments transferred to equity – net of tax		2,951	7,154
Amounts transferred to inventory – net of tax		5,259	(10,532)
Balance at the end of the year		4,446	(3,764)
Available for Sale Asset Revaluation Reserve:			
Balance at the beginning of the year		3,510	–
Fair value adjustment – net of tax		21,325	3,510
Balance at the end of the year		24,835	3,510
Reserves at the end of the year		28,837	(873)
Share Capital			
Share capital at the beginning of the year – 60,124,261 (1 July 2008 – 57,854,998) fully paid shares		94,505	80,655
Dividend reinvestment plan	17	8,491	–
Share placement	17	39,233	–
Share buy-back	17	–	(281)
Share purchase plan	17	–	14,131
Share capital at the end of the year – 65,885,213 (30 June 2009 – 60,124,261) fully paid shares		142,229	94,505
Total equity		218,118	131,116
Total Equity Summary			
Balance at the beginning of the year		131,116	120,090
Profit for the period		46,361	34,798
Other Comprehensive Income		29,710	(35)
Total Comprehensive Income		76,071	34,763
Owner transactions			
Dividend reinvestment plan		8,491	–
Share placement		39,233	–
Share buy-back		–	(281)
Share purchase plan		–	14,131
Dividends paid		(36,793)	(37,587)
Total transactions with owners		10,931	(23,737)
Balance at the end of the year		218,118	131,116

Notes to the consolidated financial statements are annexed.

Consolidated Cash Flow Statement

For the year ended 30 June 2010

	Note	2010 \$'000	2009 \$'000
Cash flows from operating activities			
Receipts from customers		518,743	511,408
Payments to suppliers and employees		(422,824)	(442,772)
Income taxes paid		(17,733)	(10,760)
Net cash provided by/(used in) operating activities	23	78,186	57,876
Cash flows from investing activities			
Payments for property, plant and equipment		(4,959)	(5,452)
Proceeds from sale of property, plant and equipment		497	182
Payments for intangible assets and product development costs		(4,124)	(4,247)
Dividends received from listed security investment		1,880	–
Payment for acquisition of available for sale asset		–	(18,181)
Acquisition of business assets	12	(2,402)	–
Net cash provided by/(used in) investing activities		(9,108)	(27,698)
Cash flows from financing activities			
Repayments of borrowings		(65,332)	(11,873)
Proceeds of share issues, net of transaction costs		39,361	14,131
Payments for share buy-back		–	(281)
Interest received		429	222
Interest paid		(5,965)	(11,731)
Dividends paid		(28,302)	(37,587)
Net cash provided by/(used in) financing activities		(59,809)	(47,119)
Net increase in cash held		9,269	(16,941)
Cash at the beginning of the year		16,206	33,121
Effects of exchange rate changes on the balance of cash held in foreign currencies		(3)	26
Cash at the end of the year		25,472	16,206
Reconciliation of net cash at the end of the year			
Cash at bank and on hand	6	25,472	16,206
		25,472	16,206

Notes to the consolidated financial statements are annexed.

Notes to the consolidated financial statements

1. Summary of accounting policies

Reporting Entity

GUD Holdings Limited (the 'Company') is a company domiciled in Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2010 comprise the Company and its subsidiaries (together referred to as the 'Consolidated Entity').

Basis of Preparation

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Australian Accounting Standards (AASB's) (including Australian interpretations) and the Corporations Act 2001. The financial report of the Consolidated Entity complies with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Directors on 26 July 2010.

Basis of measurement

The financial report has been prepared on the basis of historical cost, except for derivative financial instruments and available for sales assets which are measured at fair value.

Functional and presentation currency

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

Use of estimates and judgements

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

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

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

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

Significant accounting policies

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

a) Principles of consolidation

The consolidated financial statements are the financial statements of all the entities that comprise the Consolidated Entity, being the Company and its subsidiaries as defined in Accounting Standard AASB 127 Consolidated and Separate Financial Statements. A list of subsidiaries appears in note 20 to the consolidated financial statements.

b) Business combinations

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

The consolidated financial statements include the information and results of each subsidiary from the date on which the Company obtains control and until such time as the Company ceases to control such entity. In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the Consolidated Entity are eliminated in full.

From 1 July 2009, the Consolidated Entity has adopted the revised AASB 3 *Business Combinations* (2008) which has been applied prospectively to business combinations with an acquisition date on or after 1 July 2009. Transaction costs incurred in connection with a business combination are expensed as incurred.

c) Foreign currency

Foreign currency transactions

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

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

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (refer 'Derivative financial instruments'), and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur, which form part of the net investment in a foreign operation, which are recognised in the foreign currency translation reserve and recognised in the income statement on disposal of the net investments.

Foreign operations

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

Goodwill, fair value adjustments, assets and liabilities arising on the acquisition of a foreign operation are translated at exchange rates prevailing at the reporting date. Goodwill arising on acquisitions before the date of transition to Australian equivalents of IFRS is treated as an Australian dollar denominated asset.

d) Segment reporting

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

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

Notes to the consolidated financial statements

1. Summary of accounting policies (continued)

e) Revenue recognition

Sale of goods

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

Dividend and interest revenue

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

f) Interest and dividends

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

g) Financial instruments

Non-derivative financial instruments

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

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

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

Cash and cash equivalents

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

Investments

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

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

Loans and receivables

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

Share capital

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

Debt and equity instruments

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

Derivative financial instruments

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

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

Cash flow hedges

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

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

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

Derivatives that do not qualify for hedge accounting

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

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are recognised as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not measured at fair value with changes in fair value recognised in the income statement.

h) Income Tax**Current and deferred tax for the period**

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

Current tax

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

Deferred tax

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

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

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

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

Tax consolidation

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

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

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

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use, are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

j) Goods and services tax

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

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

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

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

Notes to the consolidated financial statements

1. Summary of accounting policies (continued)

k) 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.

l) Property, plant and equipment

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

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

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

- Buildings
25 to 40 years
- Plant and equipment
3 to 12 years
- Equipment under finance lease
3 to 12 years

m) Leased assets

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

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

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

n) Intangible assets

Patents, licences and distribution rights

Patents, licences and distribution rights, which have a finite useful life, are measured at cost less accumulated amortisation and impairment, where identified. Amortisation is charged on a straight line basis over the shorter of the relevant agreement or useful life. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, generally 3 to 5 years.

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

Brand names and trademarks

Acquired brand names and trademarks are recorded at cost. The carrying value is tested annually for impairment as part of the annual testing of cash generating units (see note 13).

Goodwill

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired, is recognised as an asset and not amortised, but tested for impairment annually and whenever there is an indication that the goodwill may be impaired.

Any impairment is recognised immediately in the income statement and is not subsequently reversed.

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 for current and prior periods as follows:

- Product development costs over a maximum of 3 years.

Intangible assets acquired in a business combination

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

o) Financial Liabilities

Financial liabilities are initially recognised at fair value. Subsequent to initial recognition, financial liabilities are measured as described below. Financial liabilities are derecognised when the Consolidated Entity's obligations specified in the contract expire, or are discharged or cancelled.

Payables

Trade payables and other accounts payable are measured at cost.

Borrowings

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

p) Employee benefits

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

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

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

Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when incurred.

q) Provisions

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

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

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

Onerous contracts

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

Restructuring

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

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

Warranties

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

r) Presentation of financial statements

Revised AASB 101 *Presentation of Financial Statements* (2007), which became effective 1 January 2009, has been adopted. As a result, all non-owner changes in equity are presented in the new Statements of Comprehensive Income previously these were included in the Statement of Changes in Equity. Comparative information has been re-presented so that it conforms with the revised standard.

s) New standards and interpretations not yet adopted

The following standard has been identified as one which may impact the Consolidated Entity in the period of initial application. It is available for early adoption at 30 June 2010, but has not been applied in preparing this financial report:

AASB 9 *Financial Instruments* includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 will become mandatory for the Consolidated Entity's 30 June 2014 consolidated financial statements. Retrospective application is generally required, although there are exceptions, particularly if the standard is adopted for the year ended 30 June 2012 or earlier. The Consolidated Entity has not yet determined the potential effect of the standard.

Notes to the consolidated financial statements

2. Profit from operations

	2010 \$'000	2009 \$'000
(a) Revenue		
Sale of goods	474,721	468,334
Dividends received from investment in listed security	1,880	–
Total revenue	476,601	468,334
(b) Other income		
Other	901	432
	901	432
(c) Expense disclosures		
Profit before income tax has been arrived at after charging the following expenses:		
Write-down in value of inventories to net realisable value	204	403
(Profit)/Loss on sale of plant and equipment	(275)	300
Operating lease rental expense: Minimum lease payments	11,427	9,010
Net foreign exchange loss	8	1,175
Employee benefits:		
Wages and salaries (including on-costs)	66,140	63,773
Contributions to defined contribution plans	4,497	4,537
Movements in provisions for employee benefits	(625)	(283)
Depreciation and amortisation:		
Depreciation of plant and equipment	5,780	5,144
Depreciation of leased plant and equipment	353	363
Amortisation of product development costs	4,280	4,522
Amortisation of other intangibles	467	522
Total depreciation and amortisation	10,880	10,551
Product development costs:		
Expensed directly to income statement	6,839	5,619
Amortisation of product development costs	4,280	4,522
Total product development sourcing and amortisation	11,119	10,141
Net finance costs:		
Finance income	(429)	(732)
Finance expense	6,845	8,448
Net finance expense before interest rate hedging restructure	6,416	7,716
Interest rate hedging restructure – revaluation and settlement costs ⁽¹⁾	–	3,732
Net finance expense including interest rate hedging restructure	6,416	11,448

⁽¹⁾ In the prior year, the Consolidated Entity closed out all interest rate hedging instruments in order to take advantage of lower interest rates. This resulted in a charge against profit of \$3,732,000 and a cash outflow of \$2,568,000.

3. Taxation

	2010 \$'000	2009 \$'000
(a) Income tax expense recognised in profit		
Prima facie income tax expense calculated at 30% (2009: 30%) on profit	19,547	14,802
Increase/(decrease) in income tax expense due to:		
Non-deductible expenditure	247	235
Under/(over) provision of income tax in prior year	6	38
Research and development incentives	(420)	(398)
Non-assessable income	(586)	(134)
Income tax expense	18,794	14,543
Tax expense comprises:		
Current tax expense	20,156	14,580
Adjustments recognised in the current year in relation to the current tax of prior years	6	38
Deferred tax expense relating to the origination and reversal of temporary differences	(1,368)	(75)
Total tax expense	18,794	14,543

Tax consolidation

The Company and its wholly-owned Australian resident subsidiaries have formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is GUD Holdings Limited. The members of the tax consolidated group are identified in note 20.

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.

	2010 \$'000	2009 \$'000
(b) Deferred tax balances		
Deferred tax assets	448	456
Deferred tax liabilities	(12,593)	(1,415)
Net deferred tax assets/(liabilities)	(12,145)	(959)

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

Notes to the consolidated financial statements

3. Taxation (continued)

Taxable and deductible temporary differences arise from the following:

	Opening balance \$'000	Charged to income \$'000	Charged to equity \$'000	Closing balance \$'000
2010				
Deferred tax assets:				
Employee benefit provisions	3,426	(159)	–	3,267
Warranty provisions	1,065	(53)	–	1,012
Inventory	603	194	–	797
Accrued expenses	372	(370)	–	2
Cash flow hedge reserve	1,613	–	(1,613)	–
FX option premium	–	1,035	–	1,035
Other	410	240	–	650
	7,489	887	(1,613)	6,763
Set off of tax	(7,033)	718	–	(6,315)
	456	1,605	(1,613)	448
Deferred tax liabilities:				
Property, plant and equipment	572	(142)	–	430
Capitalised product development	3,164	(287)	–	2,877
Intangible assets	3,059	(55)	–	3,004
Available for sale asset revaluation reserve	1,505	–	9,137	10,642
Cash flow hedge reserve	–	–	1,907	1,907
Other	148	(100)	–	48
	8,448	(584)	11,044	18,908
Set off of tax	(7,033)	718	–	(6,315)
	1,415	134	11,044	12,593
Net deferred tax liabilities				(12,145)
2009				
Deferred tax assets:				
Employee benefit provisions	3,492	(66)	–	3,426
Warranty provisions	941	124	–	1,065
Inventory	760	(157)	–	603
Provision for restructure	154	(154)	–	–
Other provisions	261	27	–	288
Accrued expenses	295	77	–	372
Tax losses	69	12	–	81
Deferred expenditure	131	(90)	–	41
Cash flow hedge reserve	153	–	1,460	1,613
Set off of tax	(5,815)	(1,218)	–	(7,033)
	441	(1,445)	1,460	456
Deferred tax liabilities:				
Property, plant and equipment	377	195	–	572
Capitalised product development	3,341	(177)	–	3,164
Intangible assets	3,126	(67)	–	3,059
Available for sale asset revaluation reserve	–	–	1,505	1,505
Other	446	(298)	–	148
Set off of tax	(5,815)	(1,218)	–	(7,033)
	1,475	(1,565)	1,505	1,415
Net deferred tax liabilities				(959)

3. Taxation (continued)

	Consolidated	
	2010	2009
	\$'000	\$'000
(c) Unrecognised deferred tax balances		
The following deferred tax assets have not been brought to account as assets:		
Tax losses – capital	3,595	2,242

4. Segment information

For the year ended 30 June 2010

Business segments**Consumer Products (Sunbeam and Oates)**

Small electrical appliances and cleaning products.

Automotive Products (Ryco, Wesfil, Goss)

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

Water Products (Davey)

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

Security Products (Lock Focus)

Disc tumbler locks for metal and wooden furniture, security doors, roller shutter doors and hotel and domestic safe locking systems.

Business segments	Consumer Products \$'000	Automotive Products \$'000	Water Products \$'000	Security Products \$'000	Unallocated \$'000	Total \$'000
Total segment revenue (external)	249,721	81,642	131,016	12,342	1,880	476,601
EBITDA	41,694	22,204	22,119	2,622	(5,244)	83,395
Less: Depreciation	(2,507)	(558)	(2,158)	(893)	(17)	(6,133)
Less: Amortisation of intangibles	(5,323)	–	(368)	–	–	(5,691)
Segment result (EBIT)	33,864	21,646	19,593	1,729	(5,261)	71,571
Net finance expense						(6,416)
Profit before income tax						65,155
Income tax expense						(18,794)
Profit for the period						46,361
Segment assets	140,114	31,963	92,438	12,792	62,293	339,600
Segment liabilities	43,159	10,516	17,245	2,442	48,120	121,482
Segment acquisition of assets	8,427	500	1,351	564	12	10,854

Notes to the consolidated financial statements

4. Segment information (continued)

For the year ended 30 June 2009

Business segments	Consumer Products \$'000	Automotive Products \$'000	Water Products \$'000	Security Products \$'000	Unallocated \$'000	Total \$'000
Total segment revenue (external)	254,863	78,421	123,593	11,457	–	468,334
EBITDA	36,352	19,836	17,803	2,044	(4,695)	71,340
Less: Depreciation	(1,884)	(531)	(2,283)	(773)	(36)	(5,507)
Less: Amortisation of intangibles	(4,528)	–	(516)	–	–	(5,044)
Segment result (EBIT)	29,940	19,305	15,004	1,271	(4,731)	60,789
Net finance expense before interest rate hedging restructure						(7,716)
Interest rate hedging restructure – revaluation and settlement costs						(3,732)
Net finance expense including interest rate hedging restructure						(11,448)
Profit before income tax						49,341
Income tax expense						(14,543)
Profit for the period						34,798
Segment assets	138,416	30,655	95,474	13,962	24,906	303,413
Segment liabilities	49,482	9,554	15,504	2,511	95,246	172,297
Segment acquisition of assets	6,491	426	2,151	616	15	9,699

Notes:

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

The Consolidated Entity operates in one geographical segment: Australasia.

AASB 8 Operating Segments replaces AASB 114 Segment Reporting effective 1 July 2009, there have been no changes to the disclosure of segmental information as a result of this change.

5. Dividends

Recognised amounts

Fully Paid Ordinary Shares	Cents per share	Total amount \$'000	Date of payment	Tax rate	Percentage franked
2010					
Final dividend in respect of the 2009 financial year	33	19,841	30 September 2009	30%	100%
Interim dividend in respect of the 2010 financial year	28	16,970	30 March 2010	30%	100%
Total dividends		36,811			
2009					
Final dividend in respect of the 2008 financial year	38	21,978	8 September 2008	30%	100%
Interim dividend in respect of the 2009 financial year	27	15,609	27 March 2009	30%	100%
Total dividends		37,587			

Unrecognised amounts

2010					
Final dividend in respect of the 2010 financial year	34	22,401	30 September 2010	30%	100%
Dividend franking account				2010 \$'000	2009 \$'000
30% (2009: 30%) franking credits available to shareholders of GUD Holdings Limited for subsequent financial years				23,936	14,997

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

6. Cash and cash equivalents

	2010 \$'000	2009 \$'000
Current		
Cash and cash equivalents	25,472	16,206

7. Trade and other receivables

	2010 \$'000	2009 \$'000
Current		
Trade receivables	59,829	62,416
Less: Allowance for doubtful debts ⁽¹⁾	(464)	(395)
Net trade receivables	59,365	62,021
Derivatives – Foreign currency forward contracts, options and collars	6,516	103
Derivatives – Interest rate swaps at fair value	331	203
Other financial assets	6,847	306
	66,212	62,327

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

	2010 \$'000	2009 \$'000
Movement in allowance for doubtful debts		
Balance at the beginning of the year	(395)	(221)
Doubtful debts recognised	(110)	(277)
Amounts written off as uncollectable	41	103
Balance at the end of the year	(464)	(395)

Bad debts were recognised only after it was determined that the debts were no longer collectable either by notification from an administrator to the debtor or because the debtor has demonstrated an inability to pay. Where applicable, insurance proceeds have been received to partially mitigate the loss and the net uncollectable amount is reflected above.

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

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

2009	Gross \$'000	Impairment \$'000	Net \$'000
Ageing of trade receivables			
Not past due	49,337	(98)	49,239
Past due 1 – 60 days	11,373	(80)	11,293
Past due 61 – 120 days	1,056	(83)	973
Past due 121 – 365 days	580	(110)	470
Past due more than one year	70	(24)	46
Total trade receivables	62,416	(395)	62,021

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

Notes to the consolidated financial statements

8. Other assets

	2010 \$'000	2009 \$'000
Current		
Prepayments	2,392	2,303
Other	3,483	4,256
	5,875	6,559

9. Inventories

	2010 \$'000	2009 \$'000
Current		
Raw materials and stores	11,801	10,723
Work in progress	1,198	1,445
Finished goods	64,295	70,503
Total inventory	77,294	82,671

Inventories disclosed above are net of the provision for obsolescence.

10. Other financial assets

	Note	2010 \$'000	2009 \$'000
Non-current			
Loan to related party	25	564	564
Available for sale asset		53,659	23,195
Derivatives – Interest rate swaps at fair value	26	–	254
		54,223	24,013

11. Property, plant and equipment

Aggregate depreciation and amortisation recognised as an expense is disclosed in Note 2(c).

	Equipment under finance lease at cost \$'000	Plant and Equipment at cost \$'000	Total \$'000
Gross carrying amount			
Balance at 1 July 2008	2,776	52,240	55,016
Additions	–	5,452	5,452
Disposals	118	(8,620)	(8,502)
Net foreign currency difference arising on translation of financial statements of foreign operations	–	45	45
Balance at 30 June 2009	2,894	49,117	52,011
Additions	–	4,959	4,959
Disposals	219	(4,953)	(4,734)
Net foreign currency difference arising on translation of financial statements of foreign operations	–	38	38
Balance at 30 June 2010	3,113	49,161	52,274
Accumulated depreciation and amortisation			
Balance at 1 July 2008	(949)	(33,892)	(34,841)
Depreciation expense	(363)	(5,144)	(5,507)
Disposals	129	7,848	7,977
Net foreign currency difference arising on translation of financial statements of foreign operations	–	(31)	(31)
Balance at 30 June 2009	(1,183)	(31,219)	(32,402)
Depreciation expense	(353)	(5,780)	(6,133)
Disposals	(4)	4,514	4,510
Net foreign currency difference arising on translation of financial statements of foreign operations	–	(29)	(29)
Balance at 30 June 2010	(1,540)	(32,514)	(34,054)
Carrying amount			
As at 30 June 2009	1,711	17,898	19,609
As at 30 June 2010	1,573	16,647	18,220

12. Goodwill

	2010 \$'000	2009 \$'000
Gross carrying amount		
Balance at the beginning of the year	42,063	42,004
Acquisitions	1,771	–
Net foreign currency difference arising on translation of financial statements of foreign operations	38	59
Balance at the end of the year	43,872	42,063

All intangible assets with indefinite lives (goodwill and brand names), have been allocated for impairment testing purposes to cash generating units. Refer below for the allocation of goodwill and brand names to cash generating units. The Directors have assessed that no impairment charge is required for the year ended 30 June 2010. Additional information relating to brand names is included in note 13.

During the year, Oates acquired the assets of Wedina Holdings Pty Ltd, an importer of liquid chemical cleaning products for \$2,402,000 as a going concern. The acquisition resulted in an additional goodwill amount of \$1,771,000 in the Oates cash generating unit.

Notes to the consolidated financial statements

12. Goodwill (continued)

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

	2009 – \$'000		
	Goodwill	Brand Names	Total Assets with Indefinite Lives
Allocation of goodwill and brand names to cash-generating units			
Automotive Products	1,497	1,000	2,497
Lock Focus	5,300	–	5,300
Sunbeam Australia and New Zealand	463	24,657	25,120
Oates	3,195	8,900	12,095
Water Products group	31,608	3,215	34,823
	42,063	37,772	79,835

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

Cash generating units within the Consumer Products business segment during the current and prior year included Sunbeam Australia and New Zealand (Sunbeam) and Oates. The pre-tax discount rate applied to Sunbeam cash flows was 14.85% (2009: 13.54%). The pre-tax discount rate applied to Oates cash flows was 15.22% (2009: 13.88%).

Lock Focus is both a cash generating unit and a business segment. The pre-tax discount rate applied to cash flows was 13.71% (2009: 12.53%).

The Water Products group is both a cash generating unit and a business segment. The pre-tax discount rate applied to cash flows was 15.22% (2009: 13.88%). Additional details relating to key assumptions are detailed below.

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

1. Year one cash flows based on 2011 budget (2009 analysis was based on the 2010 budget).
2. Revenue increase of 3% (2009: 3%).
3. Cost of sales increase of 3% (2009: 3%).
4. Expense increase of 3% (2009: 3%).
5. No material changes to working capital (2009: no material changes to working capital).
6. Growth rate used to project cash flows beyond five years of 3% (2009: 3%).

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

The five year cash flow projections are based on the 2011 year budget (2009: based on 2010 budget) and an ongoing growth rate of 3% is considered reasonable in light of past performance and is consistent with the sectors in which the cash generating units operate.

13. Other intangible assets

	Product Development Costs \$'000	Brand Names, Business Names and Trademarks \$'000	Patents, Licences and Distribution Rights \$'000	Total \$'000
Gross carrying amount				
Balance at 1 July 2008	25,169	37,710	4,671	67,550
Additions from internal developments	3,859	–	–	3,859
Additions	–	–	388	388
Disposals	(4,296)	–	(460)	(4,756)
Net foreign currency difference arising on translation of financial statements of foreign operations	–	62	1	63
Balance at 30 June 2009	24,732	37,772	4,600	67,104
Additions from internal developments	3,933	–	–	3,933
Additions	–	–	191	191
Disposals	(4,085)	–	–	(4,085)
Net foreign currency difference arising on translation of financial statements of foreign operations	–	39	–	39
Balance at 30 June 2010	24,580	37,811	4,791	67,182
Accumulated amortisation				
Balance at 1 July 2008	(13,458)	–	(3,849)	(17,307)
Amortisation expense	(4,522)	–	(522)	(5,044)
Disposals	4,296	–	460	4,756
Balance at 30 June 2009	(13,684)	–	(3,911)	(17,595)
Amortisation expense	(4,280)	–	(467)	(4,747)
Disposals	3,144	–	–	3,144
Balance at 30 June 2010	(14,820)	–	(4,378)	(19,198)
Carrying amount				
As at 30 June 2009	11,048	37,772	689	49,509
As at 30 June 2010	9,760	37,811	413	47,984

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

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

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

Notes to the consolidated financial statements

14. Trade and other payables

	2010 \$'000	2009 \$'000
(a) Current		
Accrued expenses	12,101	8,936
Trade payables ⁽¹⁾	33,144	27,744
Trade payables and accrued expenses	45,245	36,680
Derivatives – Foreign currency forward contracts and collars	32	7,586
Trade and other payables	45,277	44,266
(b) Non-current		
Derivatives – Interest rate swaps at fair value	455	–
	455	–

⁽¹⁾ No interest is incurred on trade payables.

15. Borrowings

	Note	2010 \$'000	2009 \$'000
(a) Current			
Unsecured bank overdraft		–	–
Secured finance lease liabilities ⁽¹⁾	24	873	454
		873	454
(b) Non-current			
Unsecured bank loan		40,270	104,902
Secured finance lease liabilities ⁽¹⁾	24	584	1,458
		40,854	106,360
(c) Financing facilities			
Total facilities available:			
Unsecured bank overdraft		5,000	5,000
Unsecured bank loan		180,000	180,000
Unsecured money market facility		18,000	18,000
		203,000	203,000
Facilities used at balance date:			
Unsecured bank overdraft		–	–
Unsecured bank loan		40,270	104,902
Unsecured money market facility		–	–
		40,270	104,902
Facilities not utilised at balance date:			
Unsecured bank overdraft		5,000	5,000
Unsecured bank loan		139,730	75,098
Unsecured money market facility		18,000	18,000
		162,730	98,098

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

15. Borrowings (continued)**Bank overdrafts**

The unsecured bank overdraft facility of \$5 million is subject to annual review. As part of these facilities, GUD Holdings Limited and all of its subsidiaries have entered into a deed of cross guarantee. GUD Holdings Limited has a contingent liability to the extent of the bank debt incurred by its controlled entities. Interest on bank overdrafts is charged at prevailing market rates. The weighted average interest rate for all overdrafts as at 30 June 2010 is 8.95% (2009: 7.75%).

Unsecured bank loans

The unsecured bank loans are provided by way of a club facility arrangement. The \$40,270,000 unsecured bank loan as at 30 June 2010 is repayable on maturity of the working capital facility (31 July 2012). The working capital facility and core facility are subject to variable interest rates. The club facility agreement is for a total of \$180 million which is subject to review prior to maturity, as follows:

	Amount \$ million	Year ended 30 June
Working Capital Facility	80	2013
Core Facility	100	2012

Money market facility

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

16. Provisions

	2010 \$'000	2009 \$'000
(a) Current		
Employee benefits ⁽¹⁾	9,392	10,050
Warranty	3,271	3,552
	12,663	13,602
(b) Non-current		
Employee benefits ⁽¹⁾	1,413	1,380

⁽¹⁾ Employee provisions include on-costs.

	2010 \$'000	2009 \$'000
Aggregate employee benefits		
Aggregate liability for employee benefits, including on-costs, recognised and included in the consolidated financial statements is as follows:		
Provision for employee benefits		
Current	9,392	10,050
Non-current	1,413	1,380
	10,805	11,430
Accrued wages and salaries *	5,390	2,755
	16,195	14,185

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

	2010 \$'000	2009 \$'000
Warranty – current		
Carrying amount at beginning of year	3,552	3,140
Provisions recognised	12,359	14,395
Payments made during the year	(12,645)	(13,987)
Net foreign currency difference arising on translation of financial statements of foreign operations	5	4
Carrying amount at end of year	3,271	3,552

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

Notes to the consolidated financial statements

17. Share Capital

	2010 \$'000	2010 No. '000	2009 \$'000	2009 No. '000
Fully paid ordinary shares				
65,885,213 fully paid ordinary shares (2009: 60,124,261)	142,229	65,885	94,505	60,124
Balance at the beginning of the year	94,505	60,124	80,655	57,855
Dividend reinvestment plan	8,491	942	–	–
Share placement	39,233	4,819	–	–
Share buy-back	–	–	(281)	(42)
Share purchase plan	–	–	14,131	2,311
Balance at the end of the year	142,229	65,885	94,505	60,124

During the year 941,672 shares were issued by the Consolidated Entity under the 'dividend reinvestment plan' which was reintroduced by the Consolidated Entity on 28 July 2009. The final dividend in respect of the 2009 financial year paid on 30 September 2009 resulted in the issue of 482,159 new shares and the interim dividend in respect of the 2010 financial year paid on 30 March 2010 resulted in the issue of 459,513 new shares.

On 25 June 2010 the Consolidated Entity raised \$40,000,024 in a fully underwritten share placement with institutional shareholders. 4,819,280 new shares were issued at \$8.30 per share and costs of \$767,000 were incurred in relation to the placement.

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

18. Reserves

Foreign currency translation reserve

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

Cash flow hedge reserve

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

Available for sale revaluation reserve

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

19. Superannuation commitments

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

20. Investment in subsidiaries

	Country of incorporation	Percentage ownership interest	
		2010	2009
Parent entity			
GUD Holdings Limited ⁽²⁾	Australia		
Subsidiaries			
Appliance and Homewares International Pty Ltd ^{(1) (3) (4)}	Australia	100	100
Davey Pumps Inc	USA	100	100
Davey Water Products Limited	New Zealand	100	100
Davey Water Products Pty Ltd ^{(1) (3)}	Australia	100	100
ED Oates Pty Ltd ^{(1) (3)}	Australia	100	100
Goss Products Pty Ltd ^{(1) (3)}	Australia	100	100
GUD Automotive Pty Ltd ^{(1) (3)}	Australia	100	100
GUD Europe Limited	United Kingdom	100	100
GUD (HK) Limited	Hong Kong	100	100
GUD NZ Holdings Limited ⁽⁵⁾	New Zealand	100	–
GUD (NZ) Limited	New Zealand	100	100
Lock Focus Pty Ltd ^{(1) (3)}	Australia	100	100
Monarch Pool Systems Pty Ltd ^{(1) (3)}	Australia	100	100
Sunbeam Corporation Limited ^{(1) (3)}	Australia	100	100
Sunbeam Corporation Limited	New Zealand	100	100
Wesfil Australia Pty Ltd ^{(1) (3)}	Australia	100	100

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

⁽¹⁾ Member of the Australian Tax Consolidated group.

⁽²⁾ GUD Holdings Limited is the head entity within the Tax Consolidated group.

⁽³⁾ Relieved from the need to prepare audited financial reports under Australian Securities Commission Class Order 98/1418 as party to a deed of cross guarantee with GUD Holdings Limited.

⁽⁴⁾ GUD Investments Pty Ltd was renamed Appliance and Homewares International Pty Ltd during the year.

⁽⁵⁾ GUD NZ Holdings Limited was incorporated during the year. The company has been set up as a holding company for the New Zealand entities.

Notes to the consolidated financial statements

20. Investment in subsidiaries (continued)

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

	2010 \$'000	2009 \$'000
Income Statement		
Revenue	445,846	436,954
Finance costs	(5,955)	(7,131)
Other expenses	(378,641)	(379,791)
Profit before income tax	61,250	50,032
Income tax expense	(18,091)	(14,649)
Profit for the period	43,159	35,383
Retained earnings at the beginning of the year	35,568	37,772
Dividends paid	(36,793)	(37,587)
Retained earnings at the end of the year	41,934	35,568

	2010 \$'000	2009 \$'000
Balance Sheet		
Current assets		
Cash and cash equivalents	25,415	14,952
Trade and other receivables	60,751	57,796
Other assets	5,424	6,375
Inventories	70,310	75,538
Total current assets	161,900	154,661
Non-current assets		
Other financial assets	64,605	33,527
Property, plant and equipment	17,534	18,823
Goodwill	31,462	29,691
Other intangible assets	43,898	45,458
Total non-current assets	157,499	127,499
Total assets	319,399	282,160
Current liabilities		
Trade and other payables	43,524	34,969
Borrowings and loans	873	7,426
Current tax payables	7,153	5,363
Provisions	11,905	12,814
Total current liabilities	63,455	60,572
Non-current liabilities		
Borrowings and loans	28,179	88,859
Other financial liabilities	273	–
Deferred tax liabilities	12,593	1,530
Provisions	1,413	1,380
Total non-current liabilities	42,458	91,769
Total liabilities	105,913	152,341
Net assets	213,486	129,819
Share Capital	142,229	94,505
Reserves	29,323	(254)
Retained earnings	41,934	35,568
Total equity	213,486	129,819

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

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

- C K Hall (Chairman, Non-executive)
- G D W Curlewis (Non-executive) (retired on 31 December 2009)
- R M Herron (Non-executive)
- P A F Hay (Non-executive)
- M G Smith (Non-executive)
- I A Campbell (Managing Director)
- R J Wodson (Finance Director)
- D Jackson (Chief Executive – Sunbeam Corporation Ltd – Australia)
- D Birch (Chief Executive – E D Oates Pty Ltd)
- R Pattison (Chief Executive – GUD Automotive Pty Ltd)
- C Andersen (Chief Executive – Davey Water Products Pty Ltd) (appointed on 17 August 2009)
- D Cleland (Managing Director – Davey Water Products Pty Ltd) (retired on 17 August 2009)
- T Cooper (Managing Director – Wesfil Australia Pty Ltd)

Key management personnel compensation policy

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

Key management personnel compensation

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

	2010 \$	2009 \$
Short-term employment benefits	5,056,042	4,821,427
Post-employment benefits	393,944	582,988
	5,449,986	5,404,415

Transactions with key management personnel and their related parties

The Consolidated Entity's policy is that the sale and purchase of goods and services with key management personnel are made under normal customer and supplier relationships and on normal commercial terms and conditions. The sale of goods to Directors are on terms no more favourable than made available to other employees.

At 30 June 2010, key management personnel held directly, indirectly or beneficially 408,947 ordinary shares (2009: 416,716) in the Consolidated Entity.

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

Notes to the consolidated financial statements

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

Fully paid ordinary shares issued by GUD Holdings Limited

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

		Balance at 1 July 08 No.	Net other change No.	Balance at 30 June 09 No.
For the year ended 30 June 2009				
Directors				
Non-Executive				
C K Hall	(Chairman)	70,000	2,442	72,442
P G Thomas	(Passed away on 31 January 2009)	10,000	(10,000)	–
G D W Curlewis		10,000	2,442	12,442
R M Herron		10,000	12,442	22,442
P Hay	(Appointed 26 May 2009)	–	1,814	1,814
M Smith	(Appointed 26 May 2009)	–	–	–
Executive				
I A Campbell	(Managing Director)	250,000	4,884	254,884
R J Wodson	(Finance Director)	35,000	7,442	42,442
Other key management personnel				
D Jackson	(Chief Executive – Sunbeam Corporation Ltd from 4 August 2008)	–	–	–
J Lord	(Chief Executive – Sunbeam Corporation Ltd until 1 August 2008)	–	–	–
D Birch	(Chief Executive – E D Oates Pty Ltd)	–	–	–
R Pattison	(Chief Executive – GUD Automotive Pty Ltd)	–	–	–
D Cleland	(Managing Director – Davey Water Products Pty Ltd)	5,250	5,000	10,250
T Cooper	(Managing Director – Wesfil Australia Pty Ltd)	–	–	–
		390,250	26,466	416,716

22. Auditor's remuneration

	2010 \$	2009 \$
Audit services:		
The auditor of GUD Holdings Limited		
– audit and review of financial reports	299,750	289,250
– other assurance services	10,395	29,055
Overseas audit firms:		
– audit and review of financial reports ⁽¹⁾	53,372	54,050
	363,517	372,355
Non-audit services:		
The auditor of GUD Holdings Limited		
– income tax compliance	117,881	125,000
– general tax advice	62,222	20,735
Overseas audit firms:		
– income tax compliance	21,100	17,976
– general tax advice	6,383	–
	207,586	163,711

⁽¹⁾ Includes non-KPMG amount of \$2,622 (2009: \$2,740) for the audit of GUD (HK) Limited.

23. Notes to the statement of cash flows

	2010 \$'000	2009 \$'000
Reconciliation of profit after income tax to net cash provided by operating activities		
Profit after income tax	46,361	34,798
Depreciation and amortisation	10,880	10,551
Interest received	(429)	(732)
Interest paid	6,845	8,448
Interest rate hedging restructure – revaluation and settlement costs	–	3,732
Dividends received from listed security investment	(1,880)	–
(Profit)/loss on sale of property, plant and equipment	(275)	300
Changes in working capital assets and liabilities:		
Increase (decrease) in net tax liability	1,063	3,783
(Increase) decrease in inventories	5,377	(1,259)
(Increase) decrease in receivables	2,656	3,602
(Increase) in other assets	684	(4,139)
Increase (decrease) in provisions	(906)	(386)
Increase (decrease) in payables and derivatives	7,810	(822)
Net cash provided by/(used in) operating activities	78,186	57,876

Notes to the consolidated financial statements

24. Commitments for expenditure

	Note	2010 \$'000	2009 \$'000
Capital expenditure commitments			
Plant and equipment			
Contracted but not provided for and payable:			
Within 1 year		224	79
Between 1 and 5 years		–	–
Later than 5 years		–	–
		224	79
Non-cancellable operating lease expense commitments			
Future operating lease commitments not provided for in the consolidated financial statements and payable:			
Within 1 year		9,710	9,741
Between 1 and 5 years		21,215	21,937
Later than 5 years		2,378	4,313
		33,303	35,991
Finance lease payment commitments			
Plant and equipment			
Minimum future lease payments:			
Within 1 year		951	580
Between 1 and 5 years		658	1,610
Later than 5 years		–	–
Total finance lease commitment		1,609	2,190
Less: Future finance lease charges		(152)	(278)
Finance lease liability		1,457	1,912
Present value of minimum future lease payments:			
Within 1 year		873	454
Between 1 and 5 years		584	1,458
Later than 5 years		–	–
		1,457	1,912
Lease liabilities provided for in the consolidated financial statements:			
Current	15(a)	873	454
Non-current	15(b)	584	1,458
Total lease liability		1,457	1,912

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

The Consolidated Entity leases production plant and equipment under finance leases expiring from 3 to 5 years. At the end of the lease term, the Consolidated Entity has the option to purchase the equipment at the agreed residual amount or renegotiate an extension to the finance lease.

25. Related parties

Directors

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

Loan to Director

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

	Note	2010 \$'000	2009 \$'000
Opening loan balance		564	564
Loan advanced		—	—
Closing loan balance	10	564	564
Interest paid during the period		32	38

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 20.

Entities in the wholly-owned Group advanced and repaid loans, paid and received dividends, provided marketing, product sourcing, accounting and administrative assistance and sold and purchased goods to other group companies during the current and previous financial years.

The Consolidated Entity's policy is that these transactions are on commercial terms and conditions with the exception of loans between Australian entities which are not interest bearing. Loans between entities in the wholly-owned Group are repayable at call.

Other related party transactions with entities in the wholly-owned Group

Wesfil Australia Pty Ltd leases its Sydney premises from an entity related to a Director of Wesfil Australia Pty Ltd. Net rental expense was \$330,000 (2009: \$250,000). The Consolidated Entity's policy is that related party lease arrangements are undertaken with commercial terms and conditions.

Notes to the consolidated financial statements

26. Financial instruments and financial risk management

(a) Overview

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

- credit risk;
- liquidity risk;
- market risk.

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

(b) Financial risk management objectives

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

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

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

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

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

(c) Credit risk

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

Trade and other receivables:

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

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

In order to manage credit risk, goods are sold subject to retention of title clauses so that in the event of non-payment, the Consolidated Entity may have a secured claim. The Consolidated Entity maintains a provision account, described in the consolidated financial statements as an allowance for doubtful debts, which represents the estimated value of specific trade receivables that may not be recovered. A general provision for doubtful debts is not maintained. Uncollectable trade receivables are charged to the allowance for doubtful debts account. Identified bad debts are submitted to the Board of Directors for approval for write off in December and June of each year.

The maximum exposure to credit risk is the sum of cash and cash equivalents disclosed in note 6, the total value of trade debtors and other receivables disclosed in note 7 and other financial assets disclosed in note 10. The majority of credit risk is within Australia and New Zealand. A material exposure arises from forward exchange contracts, options and collars that are subject to credit risk in relation to the relevant counterparties. The maximum credit risk exposure on foreign currency contracts, options and collars is the full amount of the foreign currency the Consolidated Entity pays when settlement occurs should the counterparty fail to pay the amount which it is committed to pay the Consolidated Entity. To address this risk the Consolidated Entity restricts its dealings to financial institutions with appropriate credit ratings.

Guarantees:

The Consolidated Entity has provided financial guarantees to a bank for the provision of trade finance facilities to a 100% owned subsidiary as described in note 28.

(d) Liquidity risk

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

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

The maturity analysis for financial liabilities can be found in notes 14: Trade and other payables, 15: Borrowings and 24: Commitments for expenditure.

26. Financial instruments and financial risk management (continued)

(e) Market risk

Market risk for the Consolidated Entity refers to the risk that changes in foreign exchange rates, interest rates or the share price of listed companies invested in will affect the Consolidated Entity's income or equity value.

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

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

At 30 June 2010, the Consolidated Entity is exposed to \$10,614,000 of US\$ denominated net liabilities.

Foreign exchange risk management:

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

Forward foreign exchange contracts provide certainty as specific rates are agreed at the time the contract is agreed. Purchased foreign currency options require a premium to be paid and provide a minimum (or maximum) rate at which the entity transacting will purchase (or sell) foreign currency. Foreign currency collars, being a combination of bought call and sold put options, provide the transacting entity with a minimum rate of exchange (call) and a maximum rate of exchange (put). The Consolidated Entity's policy is to enter into forward foreign exchange contracts, options and collars to cover specific and anticipated purchases, specific and anticipated sales and committed capital expenditure, principally in US dollars. The terms of the Consolidated Entity's commitments are rarely more than one year. At the reporting date financial instruments are recognised at their fair value, which are determined with reference to third party confirmations of financial instruments outstanding at the reporting date and are based on exit values.

Foreign currency risk management analysis:

Forward foreign exchange contracts

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

	Average Exchange Rate		Foreign Currency		Contract Value		Fair Value	
	2010	2009	2010 FC'000	2009 FC'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Buy United States Dollars	0.8506	0.6688	771	29,270	906	43,765	3	(7,717)
Buy Great British Pound	–	0.4787	–	70	–	146	–	(2)
Buy European Euro	–	0.5262	–	692	–	1,315	–	(103)
Buy Australian Dollars (NZ entities)	0.7959	0.7928	1,230	1,099	1,256	1,115	(35)	(18)
					2,162	46,341	(32)	(7,840)

Foreign currency options and collars

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

	Call Exchange Rate		Foreign Currency		Contract Value*		Fair Value*	
	2010	2009	2010 FC'000	2009 FC'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Buy United States Dollars	0.8854	0.8114	95,174	15,635	107,496	19,269	8,339	309
					107,496	19,269	8,339	309

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

The cash flows associated with the foreign exchange contracts and options held at 30 June 2010 are expected to occur within 12 months of the reporting date.

Notes to the consolidated financial statements

26. Financial instruments and financial risk management (continued)

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

Sensitivity Analysis – foreign exchange AUD/USD	2010 \$'000	2009 \$'000
For every 1c decrease in AUD:USD rate, total exposures increase by:		
Income statement	(8)	(221)
Equity	(1,155)	(917)

Interest rate risk management:

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

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

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

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

Sensitivity Analysis – interest rates	2010 \$'000	2009 \$'000
For every 100 basis points increase in interest rates:		
Income statement	(104)	(621)
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	
	2010 %	2009 %	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Outstanding floating for fixed contracts						
Less than 1 year	3.61	2.93	48,125	80,000	331	203
1 to 2 years	5.57	3.69	38,125	48,046	(302)	254
2 to 5 years	5.41	–	28,125	–	(153)	–
			114,375	128,046	(124)	457

Investment in listed security – share price risk:

The Consolidated Entity holds an investment in a company which is listed on the Australian Securities Exchange (see note 10). A one percent increase in the share price of this company at the reporting date would have increased equity by \$376,000 after tax (2009: \$162,000). A one percent decrease would have decreased equity by \$376,000 after tax (2009: \$162,000). There is no impact on the Income Statement as all movements in fair value are recognised directly in equity.

26. Financial instruments and financial risk management (continued)

(f) Capital management

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

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

The Consolidated Entity actively manages the capital structure by buying back shares when the cost of debt is lower than the cost of equity.

The Consolidated Entity is not subject to any externally imposed capital requirements. The terms and the conditions of the bank bill facility do contain two covenants: minimum interest cover and maximum debt to earnings. Both covenants have been satisfied during the 2009 and 2010 financial years.

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

(g) Fair value hierarchy

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

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

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

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

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

27. Earnings per share

	2010 Number	2009 Number
Weighted average number of shares used as the denominator for basic and diluted earnings per share – ordinary shares	60,627,119	58,040,751
	2010 \$'000	2009 \$'000
Earnings used as the numerator in the calculation of basic and diluted earnings per share	46,361	34,798

28. Contingent liabilities

	2010 \$'000	2009 \$'000
Contingent liabilities	821	863

The Consolidated Entity has provided a US\$700,000 (2009: US\$700,000) guarantee to a bank in relation to a trade finance facility provided by the bank to GUD (HK) Limited. There is no expectation of a liability to the Consolidated Entity as a result of this guarantee.

Notes to the consolidated financial statements

29. Parent entity disclosures

As at and throughout the financial year ending 30 June 2010 the parent company of the Consolidated Entity was GUD Holdings Limited.

	GUD Holdings Limited	
	2010	2009
	\$'000	\$'000
Results of the parent entity		
Profit for the period	36,496	29,174
Other comprehensive income	21,325	3,510
Total comprehensive income for the period	57,821	32,684
Financial position of the parent entity at the year end		
Current assets	27,870	38,455
Total assets	255,479	234,954
Current liabilities	9,860	7,391
Total liabilities	47,882	96,091
Net assets	207,597	138,863
Total equity of the parent entity comprising of:		
Share capital	142,229	94,505
Available for sale asset revaluation reserve	24,835	3,510
Retained earnings	40,533	40,848
Total equity	207,597	138,863
Parent entity contingencies		
Contingent liabilities	58,852	57,113

The parent entity is party to three guarantees relating to subsidiaries. The bank borrowing facility described in note 15 requires the parent entity to guarantee the bank borrowings of Sunbeam Corporation Limited NZ which in turn guarantees the obligations of the parent entity, i.e. a cross guarantee. No liability is recognised by the parent entity as Sunbeam Corporation Limited NZ is expected to continue to generate positive cash flows.

The parent entity is also party to a deed of cross guarantee as described in note 20. There is no expectation of a liability to the parent entity as a result of this guarantee.

The parent entity has also provided a US\$700,000 (2009: US\$700,000) guarantee to a bank in relation to a trade finance facility provided by the bank to GUD (HK) Limited. There is no expectation of a liability to the parent entity as a result of this guarantee.

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

Capital commitments

The parent entity does not have any capital commitments for the year ending 30 June 2010 (2009: nil).

30. Offer for Dexion

On 21 June 2010, GUD Holdings Ltd announced an off-market takeover offer for the 104,799,366 issued shares of Dexion Limited ('Dexion'), a listed company on the Australian Securities Exchange, to be paid in cash at \$0.80 per share. The takeover offer, recommended by the Dexion Board, has a 90% acceptance condition which means that it is not binding until 90% of Dexion's shareholders have confirmed their acceptance. As at 26 July 2010, the offer is still open and the 90% acceptance condition and other conditions have not been met. The offer period is open until 13 August 2010.

31. Events subsequent to balance date

Dividend declared

On 26 July 2010, the Board of Directors declared a fully franked dividend of 34 cents per ordinary share. Record date is 16 September 2010 and the dividend will be paid on 30 September 2010.

Share Purchase Plan

On 21 June 2010, a share purchase plan ('SPP') for existing shareholders to subscribe for up to \$15,000 of new shares was announced. The SPP which completed on 21 July 2010 was oversubscribed, therefore a scale-back is being undertaken. The issue price for the new shares will be \$8.30 and it is expected that about 1.8 million new shares will be issued. The Company will separately announce the basis of the scale-back and the number of shares to be allotted. Trading in the new shares is expected to commence on 30 July 2010.

Directors' Declaration

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

- a) the attached consolidated financial statements and notes and the remuneration disclosures that are contained in the Remuneration Report included in the Directors' report are in accordance with the *Corporations Act 2001*, including:
 - 1. giving a true and fair view of the financial position of the Consolidated Entity as at 30 June 2010 and of its performance for the financial year ended on that date;
 - 2. complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- b) there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

At the date of this declaration, the Company is within the class of companies affected by ASIC Class Order 98/1418. The nature of the Deed of Cross Guarantee is such that each company which is a party to the deed guarantees to each creditor payment in full of any debt in accordance with the Deed of Cross Guarantee.

In the Directors' opinion, there are reasonable grounds to believe that the Company and the subsidiary companies identified in note 20 to the consolidated financial statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the Deed of Cross Guarantee.

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

The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the Managing Director and the Finance Director for the financial year ended 30 June 2010.

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

On behalf of the Directors



C K Hall
Director



I A Campbell
Director

Melbourne, 26 July 2010

Independent Auditor's Report



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

Report on the financial report

We have audited the accompanying financial report of the Group comprising GUD Holdings Limited (the Company) and the entities it controlled at the year's end or from time to time during the financial year, which comprises the statement of financial position as at 30 June 2010, and income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 31 and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

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

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

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

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

Independence

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

Auditor's opinion

In our opinion:

- (a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of GUD Holdings Limited for the year ended 30 June 2010, complies with Section 300A of the *Corporations Act 2001*.

The KPMG logo, consisting of the letters 'KPMG' in a bold, sans-serif font, with a stylized 'K' and 'P'.

KPMG

Melbourne
26 July 2010

A handwritten signature in black ink, appearing to read 'Paul Shannon'.

Paul Shannon
Partner

Auditor's Independence Declaration



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

To: the directors of GUD Holdings Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2010 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

A stylized signature of the KPMG firm, written in a cursive, handwritten style.

KPMG

Melbourne
26 July 2010

A handwritten signature of Paul Shannon, written in a cursive, handwritten style.

Paul Shannon
Partner

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 13 August 2010

Shares held	No. of shareholders	%	Shares	%
1 – 1,000	3,310	30.36	1,920,463	2.84
1,001 – 5,000	5,619	51.53	13,923,965	20.57
5,001 – 10,000	1,268	11.63	8,925,132	13.18
10,001 – 100,000	683	6.26	12,927,613	19.09
100,001 and over	24	0.22	30,006,536	44.32
Total	10,904	100.00	67,703,709	100.00

There are 138 shareholders holding less than a marketable parcel of shares. A marketable parcel is \$500.00.

The Twenty Largest Shareholders as at 13 August 2010

	Number of Shares	%
National Nominees Limited	6,568,633	9.70
HSBC Custody Nominees (Australia) Limited	5,104,957	7.54
J P Morgan Nominees Australia Limited	4,912,032	7.26
RBC Dexia Investor Services Australia Nominees Pty Limited <PIPOOLED a/c>	2,687,537	3.97
Australian Foundation Investment Company Limited	2,259,912	3.34
Citicorp Nominees Pty Limited	2,177,475	3.22
Argo Investments Limited	1,395,000	2.06
ANZ Nominees Limited <Cash Income a/c>	1,197,677	1.77
AMP Life Limited	626,444	0.93
Cogent Nominees Pty Limited	565,059	0.83
HSBC Custody Nominees (Australia) Limited – a/c 3	365,967	0.54
UBS Nominees Pty Ltd	293,205	0.43
Equity Trustees Limited <Garnet Australia Equity Fund>	289,850	0.43
Citicorp Nominees Pty Ltd <Cwlth Bank Off Super a/c>	250,255	0.37
Mrs Jillian Anita Cobcroft	209,100	0.31
Mr Ian Campbell	138,241	0.20
Queensland Investment Corporation	137,286	0.20
Integra Nominees Pty Ltd <Integra Super Fund a/c>	130,900	0.19
Kulandra Pty Limited	130,736	0.19
Warbont Nominees Pty. Ltd. <Settlement Entrepot a/c>	129,656	0.19

Substantial Shareholder of GUD Holdings Limited

As at 13 August 2010, the current notice of substantial shareholder was:

	Number of Shares	%
Perpetual Limited	3,519,224	5.34

Shareholder Services and Information

Dividends/Dividend Reinvestment Plan

Recently the Company re-introduced a Dividend Reinvestment Plan ('DRP'). Particulars can be found on the Company website www.gud.com.au.

Direct Payments to a Bank, Building Society or Credit Union

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

Uncertificated Issuer Sponsored Holdings

In August 1997, the Company moved to uncertificated holdings under the Australian Securities Exchange ('ASX') CHESS system. Share certificates are no longer issued and shareholders receive regular statements of their holdings under the Company-sponsored scheme.

Stock Exchange Listing

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

Change of Address or Name

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

Shareholding Consolidation

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

Annual Report Mailing List

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

Tax File Number ('TFN')

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

Continuous Disclosure

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

Enquiries

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

Enquiries should be addressed to:

Computershare Investor Services Pty Limited

Enquiries Within Australia:
1300 850 505

Enquiries Outside Australia:
61 3 9415 4000

Investor Enquiries Facsimile Number:
61 3 9473 2500

Yarra Falls, 452 Johnston Street,
Abbotsford Vic 3067

Postal Address:
GPO Box 2975
Melbourne Vic 3001

www.computershare.com.au

web.queries@computershare.com.au

Financial Summary and Ratios

	2006 \$ millions	2007 \$ millions	2008 \$ millions	2009 \$ millions	2010 \$ millions
Sales & Profitability					
Sales Revenue	462.4	518.7	534.9	468.3	474.7
Underlying EBIT*					
Consumer Products	32.8	26.8	33.0	29.9	33.9
Automotive Products	18.8	16.9	19.4	19.3	21.6
Water Products	14.9	19.1	13.5	15.0	19.6
Security Products	2.1	2.3	2.5	1.3	1.7
Unallocated/Discontinued	(5.0)	(4.9)	0.0	(4.7)	(5.3)
Total Underlying EBIT*	63.6	60.2	68.4	60.8	71.6
Net Underlying Profit Before Tax*	56.9	51.3	59.0	53.1	65.2
Net Underlying Profit After Tax*	40.2	36.1	41.6	37.4	46.4
Individually Significant Items before tax	0.0	(3.6)	(6.6)	(3.7)	0.0
Net Profit Before Tax	56.9	47.7	52.4	49.3	65.2
Net Profit After Tax	40.2	33.6	37.4	34.8	46.4
Cash Flow					
Cash flow from Operating Activities	63.3	48.8	67.2	57.9	78.2
Financial Position					
Current Assets	160.4	184.1	184.7	167.8	174.9
Current Liabilities	95.2	104.1	60.5	63.1	66.2
Net Debt	54.1	94.7	86.2	90.6	16.3
Net Tangible Assets	57.5	32.8	27.8	39.5	126.3
Total Equity	141.4	139.3	120.1	131.1	218.1
	2006	2007	2008	2009	2010
Per Share Performance					
Earnings Per Share* – cents	67.1	60.2	69.6	64.5	76.5
Earnings Per Share – cents	67.1	56.2	62.6	60.0	76.5
Dividend declared per Share – cents	60.0	61.0	68.0	60.0	62.0
% Franked	100%	100%	100%	100%	100%
Payout Ratio*	89.4%	101.3%	97.7%	93.1%	81.1%
Share Statistics (at 30 June each year)					
Total Shares on Issue – millions	59.9	59.9	57.9	60.1	65.9
Closing Share Price \$	7.90	9.18	7.57	6.42	8.65
Market Capitalisation	473.3	550.0	438.0	386.0	569.9
Key Ratios					
Underlying EBIT/Sales*	13.8%	11.6%	13.4%	13.0%	15.0%
Return on Capital Employed*	20.5%	15.4%	20.0%	16.8%	18.7%
Return on Equity*	28.4%	25.9%	34.6%	28.5%	21.3%
Return on Assets*	15.6%	11.8%	15.5%	13.0%	14.8%
Net Debt/Total Capital	27.7%	40.5%	41.8%	40.9%	6.9%
Net Debt/Market Capitalisation	11.4%	17.2%	19.7%	23.5%	2.9%
CVA Return*	17.1%	14.8%	16.5%	16.9%	19.7%
Working Capital ^/Sales	18%	19%	19%	20%	19%
Capital Expenditure/Depreciation & Amortisation	104%	129%	115%	92%	83%
Interest Cover – times*	9.5	6.7	7.2	7.9	11.2

* Underlying results exclude Individually Significant Items.

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

Corporate Directory

Directors

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

Company Secretary

M G Tyler

Auditors

KPMG
Chartered Accountants

Share Registry

Computershare Investor Services
Pty Limited
Enquiries Within Australia:
1300 850 505
Enquiries Outside Australia:
+ 61 3 9415 4000
Investor Enquiries facsimile number:
+ 61 3 9473 2500
Yarra Falls, 452 Johnston Street,
Abbotsford, Vic 3067
Postal Address:
GPO Box 2975
Melbourne Vic 3001
www.computershare.com
web.queries@computershare.com.au

Corporate Directory

GUD Holdings Limited

Registered Office

245 Sunshine Road
Tottenham Victoria 3012 Australia
Telephone: (03) 9243 3333
Facsimile: (03) 9243 3300
gudhold@gud.com.au
www.gud.com.au

Sunbeam Corporation Ltd

David Jackson, Chief Executive Officer
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Botany NSW 2019
Telephone: (02) 9695 9999
Facsimile: (02) 9695 9900
customerservice@sunbeam.com.au
www.sunbeam.com.au

Sunbeam Corporation Limited (NZ)

Christine Johnston, General Manager
Unit 3, 26D Vestey Drive,
Mt Wellington, Auckland New Zealand
Telephone: (64 9) 912 0747
Facsimile: (64 9) 912 3577
cst@sunbeam.co.nz
www.sunbeam.co.nz

E D Oates Pty Ltd

David Birch, Chief Executive Officer
13–21 Maygar Boulevard
Broadmeadows Victoria 3047
Telephone: (03) 9355 6900
Facsimile: (03) 9359 9509
admin@oates.com.au
www.oates.com.au

GUD Automotive Pty Ltd

Bob Pattison, Chief Executive Officer
245 Sunshine Road
Tottenham Victoria 3012
Telephone: (03) 9243 3333
Facsimile: (03) 9243 3344
admin@gud.com.au
www.rycofilters.com.au

GUD (NZ) Limited

Rick Nutter, National Sales Manager
626a Rosebank Road
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Telephone: (64 9) 828 7089
Facsimile: (64 9) 828 2244
sales@gud.co.nz
www.ryco.co.nz

Wesfil Australia Pty Ltd

Terry Cooper, Managing Director
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Facsimile: (02) 9938 6547
sales@wesfil.com.au
www.wesfil.com.au

Lock Focus Pty Ltd

Geoff Charnley, Chief Executive Officer
15–17 Futura Road
Keysborough Victoria 3173
Telephone: (03) 9798 1322
Facsimile: (03) 9706 3201
lockf@lockfocus.com.au
www.lockfocus.com.au

Davey Water Products Pty Ltd

Carsten Andersen, Chief Executive Officer
6 Lakeview Drive
Scoresby Victoria 3179
Telephone: (03) 9730 9222
Facsimile: (03) 9753 4100
daveyadm@davey.com.au
www.davey.com.au

Davey Water Products Limited (NZ)

Peter Goodwin, General Manager
7 Rockridge Avenue
Penrose, Auckland New Zealand
Telephone: (64 9) 570 9135
Facsimile: (64 9) 527 7654
2 Rothwell Avenue
North Harbour, Auckland New Zealand
Telephone: (64 9) 415 8622
Facsimile: (64 9) 415 8621
sales@daveynz.co.nz
www.daveynz.co.nz

Financial Calendar

2010

September

Record date for September dividend –
16 September 2010

Annual Report mailed to shareholders

Payment of dividend – 30 September 2010

October

Annual General Meeting – 21 October 2010

2011

January

Announcement of results for the half-year
ending 31 December 2010

Announcement of dividend

February

Record date for interim dividend

March

Payment of interim dividend

June

End of Company's 2010/11 financial year

July

Preliminary announcement of results
for 2010/11 financial year

Timing of events can be subject to change

Annual General Meeting

The Annual General Meeting of
GUD Holdings Limited will be held at the
RACV Club, Level 17, 501 Bourke Street,
Melbourne on Thursday, 21 October 2010
at 11.00 a.m. The Notice of Meeting
containing all resolutions and a proxy
form accompanies this Report.



Registered Office

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Australia

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