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

245 Sunshine Road,
Tottenham, Vic 3012
Australia.

PO Box 62 Sunshine,
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Internet: www.gud.com.au

28 July, 2011

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

Dear Sir

**Full Year Report - 30 June, 2011**

Enclosed herewith Appendix 4E, Results Announcement, Media Release, Audited Accounts and Remuneration Report.

Yours faithfully

**Malcolm G Tyler**
Company Secretary

Att:

# Appendix 4E - Full-Year Report

Preliminary final report given under Listing Rule 4.3A

## GUD Holdings Limited

(ABN 99 004 400 891)

## Full-Year Ended 30 June 2011

(Previous corresponding period: Full-Year Ended 30 June 2010)

# Results for announcement to the market

## For the year ended 30 June 2011

| Results | Percentage Change | | | $'000 |
|---|---|---|---|---|
| Revenue | Up | 25.1% | to | 596,427 |
| * Underlying profit before interest and tax | Up | 7.7% | to | 77,075 |
| * Underlying profit after tax | Up | 5.6% | to | 48,969 |
| Reported net profit for the period attributable to members | Down | 14.5% | to | 39,656 |

** Underlying profit is net profit excluding acquisition, integration and restructuring costs*

| Dividends | Amount per security | Percentage franked |
|---|---|---|
| Final dividend | 35 cents | 100% |
| Date the dividend is payable | | September 14, 2011 |
| Record date for determining entitlements to the dividend | | August 30, 2011 |
| Trading ex dividend | | August 24, 2011 |

| Amount of dividend per security | Amount per security | Percentage franked |
|---|---|---|
| **Interim Dividend** | | |
| In respect of the 2011 financial year as at 31 December 2010 | 29 cents | 100% |
| In respect of the 2010 financial year as at 31 December 2009 | 28 cents | 100% |
| **Final Dividend** | | |
| In respect of the 2011 financial year as at 30 June 2011 | 35 cents | 100% |
| In respect of the 2010 financial year as at 30 June 2010 | 34 cents | 100% |
| **Net Tangible Assets per security** | | |
| As at 30 June 2011 | $1.25 | |
| As at 30 June 2010 | $1.92 | |

**Brief explanation of the figures reported above:**

Refer to media release

# Appendix 4E

# Preliminary final report for the year ended 30 June 2011

## Compliance Statement

1. This report has been prepared in accordance with AASB Accounting Standards including Australian Interpretations.
2. This report and the accounts upon which the report is based use the same accounting policies.
3. This report does give a true and fair view of the matters disclosed.
4. This report is in accordance with the Corporations Act 2001.
5. This report is based on accounts which have been audited.
6. The entity has a formally constituted audit committee.

MALCOLM G TYLER
Company Secretary

Melbourne, 28 July 2011

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28th July 2011

## GUD Holdings Limited results for year ended 30 June 2011

### Record underlying net profit after tax of $49.0 million

GUD Holdings Limited today announced a reported net profit after tax of $39.7 million for the year to 30th June 2011.

Whilst this result was down 14% on last year's record net profit of $46.4 million, it includes costs of $12.3 million before tax associated with the Dexion acquisition and the restructuring in Dexion and the Water Products business.

Underlying net profit after tax, before the acquisition and restructuring charges, was up 6% to a record $49.0 million. This strong result includes profit margin expansion in the Consumer and Automotive businesses and a ten month contribution from Dexion.

EBIT decreased by nearly 10% to $64.8 million, with underlying EBIT up 8% to a record $77.1 million. The underlying EBIT margin was 13.0% compared with 15.1% previously reflecting Dexion's lower margin contribution for the ten months since acquisition.

Total group sales increased 25% to $592.8 million and included a contribution from Dexion of $156.7 million. Group sales excluding Dexion declined 8% to $436.1 million, largely due to unfavourable weather conditions affecting demand in the Water Products business.

The acquisition of Dexion was completed on 1st September 2010 and integration into GUD has progressed as planned.

Underlying earnings per share of 71.7 cents for the period was down 6% on the 76.5 cents reported previously. This reflects the effect of additional shares issued during the year through the July 2010 Share Purchase Plan and the Dividend Reinvestment Plan. The final dividend was increased to 35 cents per share fully franked, bringing the year's total dividend to 64 cents, an improvement of 3% on the prior year. The Dividend Reinvestment Plan will again be offered to shareholders.

"This result reflects significant work undertaken to integrate Dexion and to position it for improved financial performance in future years. A number of substantial restructuring activities were initiated and provided for during the year, with benefits to be evident in FY12 and beyond," Managing Director Ian Campbell said.

"The core Consumer and Automotive businesses have benefited from our previously secured currency position, the increasing strength of the Australian dollar and on-going tight overhead cost control," he said.

"The result from the Water Products business was disappointing, but reflects substantially reduced demand due to weather conditions in Australia. The gross profit to sales margin has been maintained and management has tightly controlled both overhead costs and working capital levels, which positions the business for a strong recovery with a pick-up in demand", Mr Campbell said.

## Segment Summary - for the year to 30 June

| | Revenue | | | Underlying EBIT | | |
|---|---|---|---|---|---|---|
| **$ million** | **FY10** | **FY11** | **% Change** | **FY10** | **FY11** | **% Change** |
| Consumer | 249.7 | 235.9 | -6% | 33.9 | 38.8 | 15% |
| Water | 131.0 | 107.3 | -18% | 19.6 | 9.0 | -54% |
| Automotive | 81.6 | 82.1 | 1% | 21.6 | 25.9 | 20% |
| Industrial | 12.3 | 167.5 | 1257% | 1.7 | 6.2 | 257% |
| Unallocated | 1.9 | 3.6 | 93% | (5.3) | (2.8) | -46% |
| **TOTALS** | **476.6** | **596.4** | **25%** | **71.6** | **77.1** | **8%** |

Notes: Minor differences are due to rounding.
Underlying EBIT is before acquisition, integration and restructuring costs.

## Consumer Products EBIT up 15% to a record $38.8 million

Sales declined 6% reflecting subdued retail trading conditions in both Australia and New Zealand along with increased competition from low-priced, lower quality housebrand products.

Despite the growing intensity of trade brand competition in the small appliances market, Sunbeam maintained its market leadership position in both Australia and New Zealand. Sunbeam's involvement with the extremely successful MasterChef program in Australia has underpinned market share growth for the brand in food preparation appliance categories.

The Oates cleaning products business was affected by the increasingly competitive environment in the supermarket sector and by retailers more actively supporting own-label products at the expense of brands. The impact of this was offset by the contribution from the new Research Chemicals and Citrus Resources product ranges.

EBIT to sales margin in the Consumer business improved to 16% chiefly as a result of the stronger Australian dollar and continuing tight cost control.

## Water Products Underlying EBIT down 54% to $9.0 million

The EBIT decline in the Water Products business was due primarily to the 18% reduction in sales. The weaker sales performance was caused by adverse weather conditions in Australia.

A strongly positive Southern Oscillation Index resulted in wet and cold summer conditions in Eastern Australia that were evidenced by the Brisbane and Western Victorian floods during the summer. The conditions manifested in reduced demand across a broad spectrum of the product range, including swimming pool, rainwater harvesting, firefighter and water transfer products.

In addition, sales and margins in the international business were negatively affected by the strong Australian dollar.

To provide growth potential in the important Western European market Davey acquired its French and Spanish distributors of swimming pool products in June 2011.

Despite the substantial sales decline the gross profit to sales margin was maintained and financial controllables in the business were tightly managed.

## Automotive Products EBIT up 20% to a record $25.9 million

The Automotive Products business performed strongly, with Wesfil being the principal contributor to sales and profit growth.

Conditions in Wesfil's distribution channels were more favourable than those experienced by the Ryco businesses in their channels. Wesfil's closer-to-market and higher service model is performing strongly in the current tight market conditions.

The EBIT to sales margin expanded to 32% largely on the back of the secured currency position and the strengthening dollar but both Ryco and Wesfil came under pressure from supplier cost increases.

The Ryco and Wesfil brands are well positioned to perform solidly in this increasingly competitive sector.

## Industrial Products Underlying EBIT up 257% to $6.2 million

Dexion contributed sales of $156.7 million and underlying EBIT of $4.7 million for the ten months since acquisition.

A number of substantial restructuring projects have been initiated in Dexion, resulting in a one off charge of $8.9 million pre-tax. These activities include:

- factory closures and amalgamations in the warehouse racking and office products businesses,
- the management integration of Industrial and Systems businesses, and
- the commencement of a major outsourcing program in the office products business.

The benefits from these activities should become evident from FY12. No additional significant restructuring projects are planned for FY12.

Low activity levels in key customer segments affected the financial performance of the Lock Focus business in FY11.

The outlook for the Industrial products business for FY12 is for significant profit margin improvement as the restructure benefits flow. Sales and profits will also improve with a full twelve month's contribution from Dexion.

## Outlook

"We are expecting a solid financial performance in FY12, underpinned by the strength of GUD's brand portfolio," Mr Campbell said.

"A recovery in the Water Products business is likely as more normal weather conditions return."

"Trading conditions are predicted to remain difficult in the Australian retail sector and this will influence both Sunbeam and Oates. In the Automotive business we expect a continuation of a strong performance from Wesfil. All these businesses will continue to benefit from our secured currency position over the year."

"A key driver of performance in the current year will be the margin improvement anticipated in Dexion flowing from restructuring activities. To support growth in FY12 and beyond, all our businesses remain focused on new product development and tight cost control," he said.

"GUD maintains a strong, clean balance sheet with the capacity to support further growth," Mr Campbell said.

**For further information:**

Ian Campbell
Managing Director
GUD Holdings Limited
T: 03 9243 3332

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# Consolidated Income Statement

**FOR THE YEAR ENDED 30 JUNE 2011**

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

Notes to the consolidated financial statements are annexed.

# Consolidated Statement of Comprehensive Income

**FOR THE YEAR ENDED 30 JUNE 2011**

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

Notes to the consolidated financial statements are annexed.

# Consolidated Balance Sheet

**AS AT 30 JUNE 2011**

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

Notes to the consolidated financial statements are annexed.

# Consolidated Statement of Changes in Equity

**FOR THE YEAR ENDED 30 JUNE 2011**

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

The amounts recognised directly in equity are net of tax.
Notes to the consolidated financial statements are annexed.

# Consolidated Cash Flow Statement

**FOR THE YEAR ENDED 30 JUNE 2011**

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

Notes to the consolidated financial statements are annexed.

# Notes to the consolidated financial statements

## 1. Summary of accounting policies

**Reporting Entity**

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

**Basis of Preparation**

***Statement of compliance***

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

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

***Basis of measurement***

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

***Functional and presentation currency***

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

***Use of estimates and 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 judgements in applying accounting policies that have the most significant effect on the amount recognised in the consolidated financial statements are described in the following notes:

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

**Significant accounting policies**

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

**a) Principles of consolidation**

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

**b) Business combinations**

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

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

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

**c) Foreign currency**

**Foreign currency transactions**

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

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

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

**Foreign operations**

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

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

**d) Revenue recognition**

**Sale of goods**

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

**Dividend and finance income**

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

**e) Finance expense and dividends**

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

**f) Financial instruments**

**Non-derivative financial instruments**

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

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

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

**Cash and cash equivalents**

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

**Investments**

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

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

**Loans and receivables**

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

**Share capital**

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

**Debt and equity instruments**

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

**Payables**

Trade payables and other accounts payable are measured at cost.

**Borrowings**

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

**Derivative financial instruments**

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

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

**Cash flow hedges**

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

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

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

**Derivatives that do not qualify for hedge accounting**

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

**g) Income Tax**

**Current and deferred tax for the period**

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

**Current tax**

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

**Deferred tax**

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

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

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

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

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

**Tax consolidation**

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

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

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

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

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

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

**i) Goods and services tax**

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

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

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

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

**j) Inventories**

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

**k) Property, plant and equipment**

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

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

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

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

**l) Leased assets**

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

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

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

**m) Intangible assets**

**Product development costs**

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

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

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

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

**Brand names and trademarks**

Acquired brand names and trademarks are recorded at cost. The carrying value is tested annually for impairment as part of the annual testing of cash generating units (see note 12).

**Goodwill**

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

**Other intangible assets**

Other intangible assets that are acquired by the Consolidated Entity, which have finite lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

The carrying value is tested for impairment as part of the annual testing of cash generating units (see note 12).

Amortisation is recognised in the income statement over the following number of years:

| | |
|---|---|
| Patents, licences and distribution rights | 3 to 5 years |
| Customer relationships | 5 years |
| Software | 5 years |

**Intangible assets acquired in a business combination**

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

**n) Employee benefits**

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

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

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

**Defined contribution plans**

Contributions to defined contribution superannuation plans are expensed when incurred.

**o) Provisions**

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

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

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

**Onerous contracts**

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

**Restructuring**

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

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

**Warranties**

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

**p) New standards and interpretations not yet adopted**

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

## 2. Profit from operations

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

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

## 3. Taxation

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

**Tax consolidation**

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

**Nature of tax funding arrangements and tax sharing agreements**

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

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

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

## 3. Taxation (continued)

Taxable and deductible temporary differences arise from the following:

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

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

## 3. Taxation (continued)

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| **(c) Unrecognised deferred tax balances** | | |
| The following deferred tax assets have not been brought to account as assets: | | |
| Tax losses - capital | **2,435** | 2,435 |

## 4. Segment information

**FOR THE YEAR ENDED 30 JUNE 2011**

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.

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

## 4. Segment information (continued)

**FOR THE YEAR ENDED 30 JUNE 2010**

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

Notes:

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

The Consolidated Entity operates primarily in one geographical segment: Australasia.

**Business segments**

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

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

**Water Products (Davey)**
Pumps and pressure systems for household and farm water, water transfer pumps, swimming pool products, spa bath controllers and pumps and water purification equipment.

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

## 5. Dividends

### Recognised amounts

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

### Unrecognised amounts

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

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

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

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

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

## 6. Cash and cash equivalents

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

## 7. Trade and other receivables

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

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

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

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

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

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

## 7. Trade and other receivables (continued)

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

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

## 8. Other assets

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

## 9. Inventories

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

Inventories disclosed above are net of the provision for obsolescence.

## 10. Other financial assets

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

## 11. Property, plant and equipment

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

| | Equipment under finance lease at cost $'000 | Plant and Equipment at cost $'000 | Total $'000 |
|---|---|---|---|
| **Gross carrying amount** | | | |
| **Balance at 1 July 2009** | **2,894** | **49,117** | **52,011** |
| Additions | - | 4,959 | **4,959** |
| Disposals | 219 | (4,953) | **(4,734)** |
| Foreign currency movements | **-** | 38 | **38** |
| **Balance at 30 June 2010** | **3,113** | **49,161** | **52,274** |
| Acquisitions | - | 19,227 | **19,227** |
| Additions | - | 7,613 | **7,613** |
| Disposals | (1,338) | (7,330) | **(8,668)** |
| Foreign currency movements | **-** | (1,436) | **(1,436)** |
| **Balance at 30 June 2011** | **1,775** | **67,235** | **69,010** |
| | | | |
| **Accumulated depreciation and amortisation** | | | |
| **Balance at 1 July 2009** | **(1,183)** | **(31,219)** | **(32,402)** |
| Depreciation expense | (353) | (5,780) | **(6,133)** |
| Disposals | (4) | 4,514 | **4,510** |
| Foreign currency movements | - | (29) | **(29)** |
| **Balance at 30 June 2010** | **(1,540)** | **(32,514)** | **(34,054)** |
| Depreciation expense | (223) | (8,056) | **(8,279)** |
| Impairment due to restructuring | - | (1,680) | **(1,680)** |
| Disposals | 868 | 5,842 | **6,710** |
| Foreign currency movements | - | 415 | **415** |
| **Balance at 30 June 2011** | **(895)** | **(35,993)** | **(36,888)** |
| | | | |
| **Carrying amount** | | | |
| As at 30 June 2010 | 1,573 | 16,647 | 18,220 |
| **As at 30 June 2011** | **880** | **31,242** | **32,122** |

## 12. Goodwill

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

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

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

## 12. Goodwill (continued)

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

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

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

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

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

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

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

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

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

The five year cash flow projections are based on the 2012 year budget (2010: based on 2011 budget) and an ongoing growth rate of 3% is considered reasonable in light of past performance and is consistent with the sectors in which the cash generating units operate.

## 13. Other intangible assets

| | Product Development Costs | Brand Names, Business Names, and Trademarks | Patents, Licences and Distribution Rights | Software | Customer relationships | Total |
|---|---|---|---|---|---|---|
| **Gross carrying amount** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| **Balance at 1 July 2009** | **24,732** | **37,772** | **4,600** | **-** | **-** | **67,104** |
| Additions from internal developments | 3,933 | - | - | - | - | **3,933** |
| Additions | - | - | 191 | - | - | **191** |
| Disposals | (4,085) | - | - | - | - | **(4,085)** |
| Foreign currency movements | **-** | 39 | - | - | - | **39** |
| **Balance at 30 June 2010** | **24,580** | **37,811** | **4,791** | **-** | **-** | **67,182** |
| Acquisitions | - | 11,697 | - | 4,564 | 1,452 | **17,713** |
| Additions from internal developments | 4,384 | - | - | - | - | **4,384** |
| Additions | - | - | 120 | 850 | - | **970** |
| Disposals | (4,723) | - | - | (452) | - | **(5,175)** |
| Foreign currency movements | **-** | (268) | 2 | (61) | - | **(327)** |
| **Balance at 30 June 2011** | **24,241** | **49,240** | **4,913** | **4,901** | **1,452** | **84,747** |
| | | | | | | |
| **Accumulated amortisation** | | | | | | |
| **Balance at 1 July 2009** | **(13,684)** | **-** | **(3,911)** | **-** | **-** | **(17,595)** |
| Amortisation expense | (4,280) | - | (467) | - | - | **(4,747)** |
| Disposals | 3,144 | - | - | - | - | **3,144** |
| **Balance at 30 June 2010** | **(14,820)** | **-** | **(4,378)** | **-** | **-** | **(19,198)** |
| Amortisation expense | (4,148) | - | (321) | (863) | (238) | **(5,570)** |
| Disposals | 4,152 | - | (9) | 449 | - | **4,592** |
| Foreign currency movements | - | - | - | 47 | - | **47** |
| **Balance at 30 June 2011** | **(14,816)** | **-** | **(4,708)** | **(367)** | **(238)** | **(20,129)** |
| | | | | | | |
| **Carrying amount** | | | | | | |
| As at 30 June 2010 | 9,760 | 37,811 | 413 | - | - | 47,984 |
| **As at 30 June 2011** | **9,425** | **49,240** | **205** | **4,534** | **1,214** | **64,618** |

Aggregate amortisation allocated during the year is recognised as an expense and disclosed in note 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.

## 14. Trade and other payables

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

(1) No interest is incurred on trade payables.

## 15. Borrowings

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

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

## 15. Borrowings (continued)

***Bank overdrafts***

The unsecured bank overdraft facilities are subject to annual review. As part of these facilities, GUD Holdings Limited and all of its subsidiaries have entered into a deed of cross guarantee. GUD Holdings Limited has a contingent liability to the extent of the bank debt incurred by its controlled entities. Interest on bank overdrafts is charged at prevailing market rates. The weighted average interest rate for all overdrafts as at 30 June 2011 is 8.47% (2010: 8.95%).

***Unsecured bank loans***

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

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

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

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

***Money market facility***

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

## 16. Provisions

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

(1) Employee provisions include on-costs.

***Employee benefits***

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

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

## 16. Provisions (continued)

***Restructuring provisions***

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

The payments made against the provision for restructuring represents the costs of redundancies and closures of manufacturing facilities. The balance represents the present value of the Directors' best estimate of the costs required to complete the restructure. Additional provisions for scrapping of fixed assets are included in note 11.

***Warranty provisions***

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

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

## 17. Share Capital

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

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

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

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

## 18. Reserves

**Foreign currency translation reserve**

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

**Cash flow hedge reserve**

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

**Available for sale revaluation reserve**

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

## 19. Investment in subsidiaries

| | **Country of incorporation** | **Percentage ownership interest** | |
|---|---|---|---|
| | | **2011** | 2010 |
| **Parent entity** | | | |
| GUD Holdings Limited (2) | Australia | | |
| **Subsidiaries** | | | |
| Appliance and Homewares International Pty Ltd (1) (3) | Australia | **100** | 100 |
| Appliance and Homewares International Ltd | New Zealand | **100** | - |
| Darroch Consulting Limited | New Zealand | **100** | - |
| Davey Pumps Inc | USA | **100** | 100 |
| Davey Water Products Limited | New Zealand | **100** | 100 |
| Davey Water Products Pty Ltd (1) (3) | Australia | **100** | 100 |
| Dexion (Australia) Pty Limited (1) (3) | Australia | **100** | - |
| Dexion (New Zealand) Holdings Limited | New Zealand | **100** | - |
| Dexion (New Zealand) Limited | New Zealand | **100** | - |
| Dexion (Shanghai) Logistics Equipment Co. Ltd | Peoples' Republic of China | **100** | - |
| Dexion Asia Limited | Hong Kong | **100** | - |
| Dexion Asia Sdn Bhd | Malaysia | **100** | - |
| Dexion Commercial (Australia) Pty Limited (1) (3) | Australia | **100** | - |
| Dexion Commercial (New Zealand) Limited | New Zealand | **100** | - |
| Dexion Integrated Systems Pty Limited (1) (3) | Australia | **100** | - |
| ED Oates Pty Ltd (1) (3) | Australia | **100** | 100 |
| Goss Products Pty Ltd (1) (3) | Australia | **100** | 100 |
| GUD (HK) Limited | Hong Kong | **100** | 100 |
| GUD (NZ) Limited | New Zealand | **100** | 100 |
| GUD Automotive Pty Ltd (1) (3) | Australia | **100** | 100 |
| GUD Europe Limited | United Kingdom | **100** | 100 |
| GUD NZ Holdings Limited | New Zealand | **100** | 100 |
| Lock Focus Pty Ltd (1) (3) | Australia | **100** | 100 |
| Monarch Pool Systems Pty Ltd (1) (3) | Australia | **100** | 100 |
| Monarch Pool Systems Europe S.A.S. | France | **100** | - |
| Monarch Pool Systems Iberica S.L. | Spain | **100** | - |
| Sunbeam Corporation Limited | New Zealand | **100** | 100 |
| Sunbeam Corporation Limited (1) (3) | Australia | **100** | 100 |
| Wesfil Australia Pty Ltd (1) (3) | Australia | **100** | 100 |

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

(1) Member of the Australian Tax Consolidated group.
(2) GUD Holdings Limited is the head entity within the Tax Consolidated group.
(3) Relieved from the need to prepare audited financial reports under Australian Securities Commission Class Order 98/1418 as party to a deed of cross guarantee with GUD Holdings Limited, the ‘closed group’.

## 19. Investment in subsidiaries (continued)

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

**Income Statement**

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

**Balance Sheet**

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

## 20. Superannuation commitments

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

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

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

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

**Key management personnel compensation policy**

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

**Key management personnel compensation**

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

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

**Transactions with key management personnel and their related parties**

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

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

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

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

**Fully paid ordinary shares issued by GUD Holdings Limited**

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

| For the year ended 30 June 2010 | | Balance@ 01 Jul 09 No. | Net other change No. | Balance@ 30 Jun 10 No. |
|---|---|---|---|---|
| **Directors** | | | | |
| ***Non-Executive*** | | | | |
| C.K. Hall | (Chairman) | 72,442 | - | 72,442 |
| G.D.W. Curlewis | (retired 31 December 2009) | 12,442 | (12,442) | - |
| R.M. Herron | | 22,442 | - | 22,442 |
| P. 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. Anderson | (Chief Executive - Davey Water Products Pty Ltd) | - | - | - |
| D. Cleland | (Managing Director - Davey Water Products Pty Ltd) | 10,250 | (10,250) | - |
| T. Cooper | (Managing Director - Wesfil Australia Pty Ltd) | - | - | - |
| | | 416,716 | (7,769) | 408,947 |

## 22. Auditors' remuneration

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

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

## 23. Notes to the statement of cash flows

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

## 24. Commitments for expenditure

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| **Capital expenditure commitments** | | |
| **Plant & equipment** | | |
| Contracted but not provided for and payable: | | |
| Within 1 year | **531** | 224 |
| Between 1 and 5 years | **-** | - |
| Later than 5 years | **-** | - |
| | **531** | 224 |
| **Non-cancellable operating lease expense commitments** | | |
| Future operating lease commitments not provided for in the consolidated financial statements and payable: | | |
| Within 1 year | **16,207** | 9,710 |
| Between 1 and 5 years | **33,326** | 21,215 |
| Later than 5 years | **589** | 2,378 |
| | **50,122** | 33,303 |

| | Note | 2011 $'000 | 2010 $'000 |
|---|---|---|---|
| **Finance lease payment commitments** | | | |
| **Plant & equipment** | | | |
| Minimum future lease payments: | | | |
| Within 1 year | | **283** | 951 |
| Between 1 and 5 years | | **375** | 658 |
| Later than 5 years | | **-** | - |
| Total finance lease commitment | | **658** | 1,609 |
| Less: Future finance lease charges | | **(74)** | (152) |
| Finance lease liability | | **584** | 1,457 |
| Present value of minimum future lease payments: | | | |
| Within 1 year | | **246** | 873 |
| Between 1 and 5 years | | **338** | 584 |
| Later than 5 years | | **-** | - |
| | | **584** | 1,457 |
| Lease liabilities provided for in the consolidated financial statements: | | | |
| Current | 15(a) | **246** | 873 |
| Non-current | 15(b) | **338** | 584 |
| Total lease liability | | **584** | 1,457 |

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

## 24. Commitments for expenditure (continued)

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 arms length terms and conditions. As at the reporting date, all interest charged on the loan during the year had been paid.

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

**Transactions with entities in the wholly-owned Group**

GUD Holdings Limited is the ultimate parent entity in the wholly-owned group comprising the Company and its wholly-owned subsidiaries, as disclosed in note 19.

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

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

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

Wesfil Australia Pty Ltd leases its Sydney premises from an entity related to a Director of Wesfil Australia Pty Ltd. Net rental expense was $407,000 (2010: $330,000). The Consolidated Entity's policy is that related party lease arrangements are undertaken with commercial terms and conditions.

## 26. Financial instruments and financial risk management

**(a) Overview**

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

- credit risk
- liquidity risk
- market risk

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

**(b) Financial risk management objectives**

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

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

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

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

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

**(c) Credit risk**

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

Trade and other receivables:

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

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

## 26. Financial instruments and financial risk management (continued)

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

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

**(d) Liquidity risk**

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

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

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

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

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

**(e) Market risk**

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

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

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

At 30 June 2011, the Consolidated Entity is exposed to $11,478,000 of US$ denominated net liabilities.

**Foreign exchange risk management:**

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

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

**Foreign currency risk management analysis:**

***Forward foreign exchange contracts***

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

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

## 26. Financial instruments and financial risk management (continued)

***Foreign currency options and collars***

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

| | **Call Option Rate** | | **Foreign Currency** | | **Contract Value** | | **Fair Value** | |
|---|---|---|---|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 | **2011** | 2010 | **2011** | 2010 |
| | | | **FC'000** | FC'000 | **$'000** | $'000 | **$'000** | $'000 |
| Buy United States Dollars | **0.9846** | 0.8854 | **49,220** | 95,174 | **48,260** | 107,496 | **-** | 8,339 |
| | | | | | **48,260** | 107,496 | **-** | 8,339 |

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

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

The following table summarises the sensitivity of the Consolidated Entity to movements in the value of the Australian dollar compared to the United States dollar, the principal currency that the Consolidated Entity has an exposure to. The table includes the type of sensitivity analysis that is used when reporting to key management personnel. The movement of 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 expected exposures for the 12 months from the reporting date and do not take into account the offsetting impact of any hedging in place.

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

**Interest rate risk management:**

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

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

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

## 26. Financial instruments and financial risk management (continued)

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

| **Sensitivity Analysis - interest rates** | **2011** | 2010 |
|---|---|---|
| | **$'000** | $'000 |
| For every 100 basis points increase in interest rates: | | |
| Income statement | **(712)** | (104) |
| Equity | | - |

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

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

**Investment in listed security – share price risk:**

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

### (f) Capital management

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

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

The Consolidated Entity is not subject to any externally imposed capital requirements. The terms and the conditions of the bank bill facility do contain two covenants: minimum interest cover and maximum debt to earnings. Both covenants have been satisfied during the 2010 and 2011 financial years.

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

## 26. Financial instruments and financial risk management (continued)

### (g) Fair value hierarchy

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

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

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

| **For the year ended 30 June 2010** | **Level 1** | **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** |

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

## 27. Earnings per share

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

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

| **Earnings per share:** | **Cents per share** | Cents per share |
|---|---|---|
| Basic earnings per share | **58.1** | **76.5** |
| Diluted earnings per share | **58.1** | **76.5** |

| **Underlying earnings per share:** | **Cents per share** | Cents per share |
|---|---|---|
| Basic underlying earnings per share | **71.7** | **76.5** |
| Diluted underlying earnings per share | **71.7** | **76.5** |

## 28. Contingent liabilities

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

## 29. Parent entity disclosures

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

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

| **Parent entity contingencies** | GUD Holdings Limited | |
|---|---|---|
| | **2011** | 2010 |
| | **$'000** | $'000 |
| Contingent liabilities | **73,560** | 58,852 |

The parent entity is party to three guarantees relating to subsidiaries. The bank borrowing facility described in note 15 requires the parent entity to guarantee the bank borrowings of GUD NZ Holdings Limited (parent company of the Consolidated Entity's New Zealand companies) which in turn guarantees the obligations of the parent entity, ie a cross guarantee. No liability is recognised by the parent entity as GUD NZ Holdings Limited is expected to be able to meet its debts as they fall due.

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

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

**Capital commitments**

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

## 30. Acquisitions

**Acquisition of Dexion**

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

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

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

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

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

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

## 30. Acquisitions (continued)

**Acquisition of Monarch Pool Systems Europe and Monarch Pool Systems Iberica**

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

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

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

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

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

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

## 31. Events subsequent to balance date

**Dividend declared**

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

## DIRECTORS' DECLARATION

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

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

   1. giving a true and fair view of the financial position of the Consolidated Entity as at 30 June 2011 and of its performance for the financial year ended on that date;
   2. complying with Australian Accounting Standards and the Corporations Regulations 2001; and

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

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

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

The Directors have been given the declarations required by section 295A of the Corporations Act 2001 from the Managing Director and the Finance Director for the financial year ended 30 June 2011.

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

On behalf of the Directors

C K Hall
Director

I A Campbell
Director

Melbourne, 28 July 2011

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

To: the directors of GUD Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2011 there have been:

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

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

KPMG

KPMG

Paul Shannon

Paul Shannon
*Partner*

Melbourne

28 July 2011

KPMG

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

## Report on the financial report

We have audited the accompanying financial report of GUD Holdings Limited (the company), which comprises the consolidated balance sheet as at 30 June 2011, and consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year ended on that date, notes 1 to 31 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

*Directors' responsibility for the financial report*

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

*Auditor's responsibility*

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

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

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

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

*Independence*

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

*Auditor's opinion*

In our opinion:

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

(i) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

**Report on the remuneration report**

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

*Auditor's opinion*

In our opinion, the remuneration report of GUD Holdings Limited for the year ended 30 June 2011, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Paul Shannon

Paul Shannon
*Partner*

Melbourne

28 July 2011

# Remuneration Report - audited

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

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

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

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

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

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

## Section 1 – Non-Executive Directors' Remuneration

### Remuneration Policy

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

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

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

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

### Fees

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

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

In accordance with rule 36 of the Constitution, Directors are permitted additional fees for special services or exertions. No such fees were paid during the year. Directors are also entitled to be reimbursed for all business related expenses, including travel on Company business, as may be incurred in the discharge of their duties.

### Equity Participation

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

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

Retiring Allowance for Directors

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

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

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

The accrued and frozen retiring allowance benefit for Mr Hall is $451,375.

Superannuation

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

Remuneration

Details of the nature and amount of each element of the remuneration of Non-Executive Directors for the year ended 30 June 2011 are set out in the table below.

| **Non-Executive Directors** | | **Short-term Employee Benefits** | **Post-employment Benefits** | | |
|---|---|---|---|---|---|
| | **Year** | **Directors' Fees $** | **Superannuation* $** | **Retirement[2] $** | **Total $** |
| C K Hall (Chairman) | 2011 | 221,376 | 19,924 | – | 241,300 |
| | 2010 | 210,834 | 18,975 | – | 229,809 |
| P A F Hay | 2011 | 98,572 | 8,871 | – | 107,443 |
| | 2010 | 84,354 | 7,592 | – | 91,946 |
| R M Herron | 2011 | 98,572 | 8,871 | – | 107,443 |
| | 2010 | 94,354 | 8,492 | – | 102,846 |
| M G Smith | 2011 | 88,572 | 7,971 | – | 96,543 |
| | 2010 | 84,354 | 7,592 | – | 91,946 |
| G D W Curlewis [1] | 2011 | 0 | 0 | – | 0 |
| | 2010 | 42,177 | 3,796 | – | 45,973 |
| Total Remuneration of Non-Executive Directors | 2011 | 507,092 | 45,637 | – | 552,729 |
| | 2010 | 516,073 | 46,447 | – | 562,520 |

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

[1] Mr G D W Curlewis retired as a Director on 31 December 2009.

[2] Retirement benefits were accrued in previous financial years.

## Section 2 – Executive Directors’ and Senior Executives’ Remuneration

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

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

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

### Remuneration Policy

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

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

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

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

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

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

### Company Performance and Shareholder Wealth

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

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

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

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

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

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

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

Components of Remuneration

The Executive remuneration framework has three components:

– fixed remuneration;

– short-term performance incentives; and

– long-term shareholder return linked performance incentives.

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

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

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

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

## Fixed Remuneration

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

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

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

## Variable Performance-linked Remuneration

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

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

## One Year Performance Bonus (STI)

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

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

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

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

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

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

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

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

Three Year Performance Bonus (LTI)

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

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

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

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

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

| 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 29% of salary for the Managing Director, 30.0% of salary for the Finance Director, to 15.0% of salary for corporate and divisional Executives.

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

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

Current Year Performance

*One Year Performance Bonus*

In the current year, the following businesses in the consolidated entity exceeded CVA targets: Sunbeam, GUD Automotive, Oates and Wesfil. As a result Executives of those business units received an STI bonus payment based on achieving or exceeding the business unit CVA performance. In addition, corporate Executives, includes the Managing Director, Finance Director and Company Secretary, received a bonus.

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

* A minimum level of performance must be achieved before any STI bonus is payable.
The payment relates to STI bonus earned in the year ended 30 June 2011 and paid in July 2011.

*Three Year Performance Bonuses*

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

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

| **TSR Performance Tranche** | **Current Year (to 30 June 2011)** | **Prior Year (to 30 June 2010)** |
|---|---|---|
| 1 Year Tranche | 60th percentile | 70th percentile |
| 2 Year Tranche | 72th percentile | 77th percentile |
| 3 Year Tranche | 84th percentile | 92nd percentile |

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

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

Employment Contracts

*Executive Director - Managing Director*

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

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

*Executive Director - Finance Director*

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

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

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

*Other Senior Executives*

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

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

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

*Remuneration Paid*

Details of the remuneration and benefits paid or provided to Executive Directors and Senior Executives (and the Company Secretary) during the year are included in the table 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 | 2011 | 1,154,996 | 310,169 | 625,000 | 3,512 | 91,451 | 44,962 | - | 2,230,090 | 41.9 |
| | 2010 | 888,239 | 240,391 | 446,969 | 3,512 | 52,893 | 45,211 | - | 1,677,215 | 41.0 |
| R.J. Wodson | 2011 | 422,000 | 168,135 | 180,000 | 818 | 25,773 | 50,000 | - | 846,726 | 41.1 |
| | 2010 | 479,736 | 188,808 | 170,325 | 3,512 | 24,074 | 50,000 | - | 916,455 | 39.2 |
| Senior Management | | | | | | | | | | |
| D. Jackson | 2011 | 317,601 | 141,568 | 71,480 | 767 | 24,000 | 57,163 | - | 612,579 | 34.8 |
| | 2010 | 288,750 | 101,417 | 64,969 | 767 | - | 51,975 | - | 507,878 | 32.8 |
| D. Birch | 2011 | 248,000 | 130,200 | 55,800 | - | 24,200 | 44,640 | - | 502,840 | 37.0 |
| | 2010 | 230,000 | 86,250 | 51,750 | - | 22,910 | 41,400 | - | 432,310 | 31.9 |
| R. Pattison | 2011 | 282,041 | 142,590 | 61,110 | 2,710 | 26,061 | 48,888 | - | 563,400 | 36.2 |
| | 2010 | 251,450 | 94,294 | 56,576 | 2,706 | 18,929 | 46,219 | - | 470,174 | 32.1 |
| P Farmakis | 2011 | 490,000 | - | - | 640 | - | 25,000 | - | 515,640 | - |
| (Joined GUD Sept 10) | 2010 | | | | | | | | | |
| C. Andersen | 2011 | 321,000 | - | 69,336 | 767 | 22,985 | 57,580 | - | 471,668 | 14.7 |
| (Apptd Aug 09) | 2010 | 262,692 | 75,146 | 54,888 | - | 17,145 | 47,285 | - | 457,156 | 28.4 |
| T. Cooper | 2011 | 220,000 | 115,500 | 49,500 | 2,107 | - | 63,300 | - | 450,407 | 36.6 |
| | 2010 | 195,230 | 70,270 | 43,919 | 2,101 | - | 58,841 | - | 370,361 | 30.8 |
| Total Remuneration of Executive Directors and Senior Executives of the Group including the Company | | | | | | | | | | |
| | 2011 | 3,455,638 | 1,008,162 | 1,112,226 | 11,321 | 214,470 | 391,533 | - | 6,193,350 | |
| | 2010 | 2,630,479 | 856,576 | 889,396 | 12,598 | 150,920 | 347,497 | - | 4,887,466 | |
| Total Remuneration of Non-Executive Directors | | | | | | | | | | |
| | 2011 | 507,092 | | | | | 45,637 | - | 552,729 | |
| | 2010 | 516,073 | - | - | - | - | 46,447 | - | 562,520 | |
| Total Remuneration (Compensation of Key Management Personnel of the Company and Group) | | | | | | | | | | |
| | 2011 | 3,962,730 | 1,008,162 | 1,112,226 | 11,321 | 214,470 | 437,170 | - | 6,746,079 | |
| | 2010 | 3,146,552 | 856,576 | 889,396 | 12,598 | 150,920 | 393,944 | - | 5,449,986 | |
| Remuneration of Company Secretary | | | | | | | | | | |
| M.G. Tyler | 2011 | 214,951 | 97,834 | 59,850 | 1,593 | 25,000 | 50,000 | - | 449,228 | 35.1 |
| | 2010 | 206,470 | 86,134 | 54,392 | 1,420 | 33,000 | 25,000 | - | 406,416 | 34.6 |