GUD HOLDINGS LIMITED
ANNUAL REVIEW 2017

Following recent portfolio reshaping, GUD Holdings Limited now comprises three activity areas – automotive aftermarket, water products and cleaning products, with its principal geographic markets being Australia and New Zealand. In recent years, the Group has shifted its emphasis to being more focused to the automotive aftermarket with several acquisitions in this sector since 2015.

In all the categories in which GUD's businesses compete, the Groups' brands hold market leadership positions. In the automotive aftermarket, GUD owns an unrivalled stable of brands, including Ryco, Wesfil, Narva, Projecta, Injectronics and Goss.

IN THIS ANNUAL REVIEW

ANNUAL GENERAL MEETING

The Annual General Meeting of
GUD Holdings Limited will be held at the:

RACV Club
Level 17
501 Bourke Street
Melbourne
on Thursday, 26 October 2017 at 10.00am.

GUD Holdings Limited ABN 99 004 400 891

YEAR IN REVIEW

2017 HIGHLIGHTS

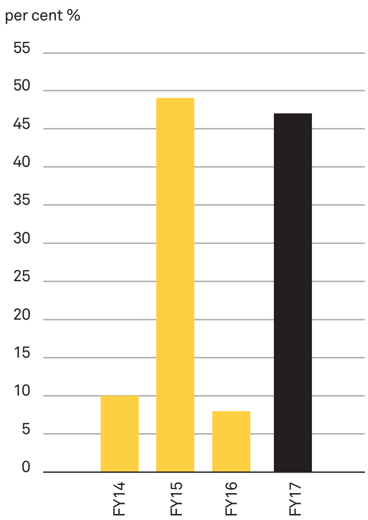
Following the pivotal change to the shape of GUD's business portfolio in 2015/16 with the acquisition of Brown & Watson International, the 2016/17 year was characterised by further noteworthy portfolio activities.

These include the disposal of the Group's remaining interests in the Sunbeam businesses, sale of the Lock Focus security business (November 2016) and the Dexion warehouse racking and systems business (June 2017), and two automotive acquisitions – Griffiths Equipment (October 2016) and Innovative Mechatronics Group (June 2017).

- **4 per cent increase in reported revenue from continuing operations**
- **11 per cent uplift in Automotive revenue, including organic and acquired growth**
- **EBIT from continuing operations increased 18 per cent to $83.2 million**
- **Reported NPAT from continuing operations up 45 per cent to $51.5 million**
- **Dividend increased to 46 cents per share from 43 cents previously**
- **Commenced the integration of the Griffiths Equipment and IM Group acquisitions**

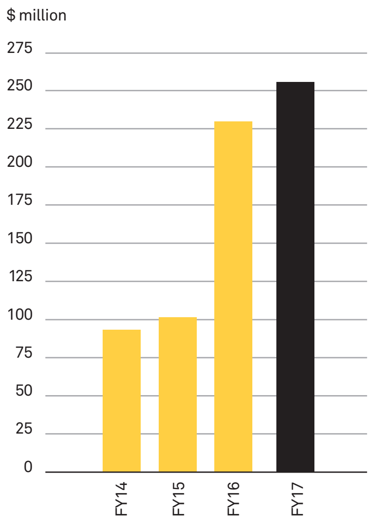
Total Shareholder Return

47 per cent



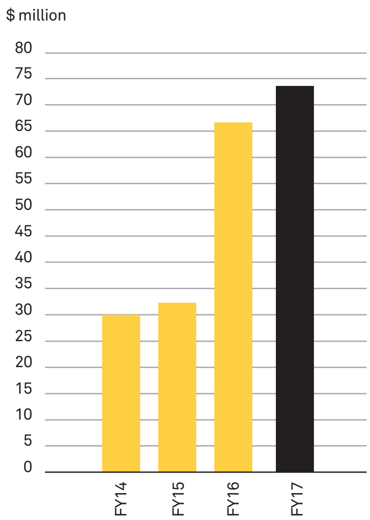
Automotive Revenue

$255.4 million



Automotive EBIT

$73.6 million



SUMMARY OF OPERATIONS

AUTOMOTIVE

Products

Automotive parts and accessories, including:

- Oil, air, fuel, emission and cabin air filters
- Heavy-duty and agricultural filters
- Wiper blades
- Spark plugs
- Replacement brake parts
- Fuel pumps
- Ignition coils and oxygen sensors
- Lighting and electrical accessories
- Battery maintenance and battery power products
- Accessories, including cleaning products, chemicals, window tint and car detailing products
- Engine management replacement parts

Main markets and customer types

Australia and New Zealand:

- Automotive parts trade distributors, retailers and independent resellers
- Manufacturers of truck bodies, trailers, caravans, buses and other automotive and heavy-duty body fabricators

Significant events

- Substantial new product introductions in Ryco, Narva and Projecta brands
- Launch of Tri-Power spark plug program in Wesfil
- Publication of 2017 Projecta brand catalogue at AAAA Show in April
- BWI entry into blue and red emergency lighting segment
- Continuation of Ryco Conquest program resulting in 400 workshops converting to Ryco brand
- Continued strong organic revenue and EBIT growth supplemented by acquisitions

DAVEY

Products

Water pumps and associated equipment:

- Domestic water pressure systems
- Rainwater harvesting products
- Swimming pool pumps, filters, salt water chlorinators and UV disinfection
- Spa pumps and controllers
- Water quality improvement products and systems
- Domestic fire protection
- Farm and irrigation water supply systems
- Water system monitoring and management products

Main markets and customer types

Australia, New Zealand, Europe and 40 other international markets:

- Water specialists
- Rural and plumbing merchants
- Pool builders and specialist retailers
- Water tank manufacturers
- International distributors

Significant events

- Launch of Remote Start FireFighter™ pump in response to Black Saturday Enquiry findings
- Development and introduction of Monsoon IQ large-scale pump set monitoring and management system
- Monsoon IQ nominated for Australian IoT Awards, resulting in runner up position in its category
- Commenced innovation activities to reshape Davey's channels to market and to reconfigure the supply chain

OATES

Products

Janitorial and household cleaning products and chemicals:

- Mops and buckets
- Brooms and brushes
- Cloths and wipes
- Janitorial trolleys and safety products
- Speciality cleaning chemicals
- Motorised cleaning equipment
- Bins and storage
- Chamois and other automotive cleaning products
- Specialist window cleaning equipment
- Ironing boards

Main markets and customer types

Australia and New Zealand:

- Supermarkets and grocery stores
- Hardware outlets
- Commercial and industrial specialist cleaning products distributors

Significant events

- Sales declined due to closure of Masters hardware chain and withdrawal from Woolworths supermarkets
- New CEO appointed October 2016
- Business being refocused on selected opportunities in the commercial segment and on operational performance improvements

OPERATING AND FINANCIAL REVIEW

R M Herron Chairman

J P Ling Managing Director

Overview

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial Performance Review

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

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

Revenue

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

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

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

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

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

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

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

OPERATING AND FINANCIAL REVIEW
continued

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

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

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

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

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

Profitability

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

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

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

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

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

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

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

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

2. The 24 per cent underlying EBIT decline in Davey came about through a combination of margin reduction due to lower sales, and from inflationary overhead cost increases. Revenue was lower in Australia due principally to weaker seasonal demand for products such as fire fighting pumps and swimming pool products. As noted, this weakness was apparent in both Davey's active market segments and in adjacent and complementary segments, such as irrigation equipment.
3. Oates registered a 15 per cent decline in underlying EBIT due to a combination of lower sales in hardware stemming from the closure of the Masters chain and a reduction in sales in grocery as Oates withdrew from supplying products to Woolworths supermarkets. In addition, the previously noted inability of Oates to achieve price increases in retail segments in response to higher product costs due to currency factors has affected both revenue and gross profit margin.

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

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

To address the impact from exchange rate movements, GUD has in past years utilised hedges of up to 90 per cent of the forecast foreign currency net purchases for up to 12 months.

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

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

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

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

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

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

OPERATING AND FINANCIAL REVIEW
continued

Cash Generation and Capital Management

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

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

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

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

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

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

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

External Financing

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

Strategy Review

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

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

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

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

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

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

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

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

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

The elements that frame the strategy are:

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

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

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

Portfolio Management

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

Strengthening GUD's automotive interests as the automotive aftermarket provides steady, consistent growth and relatively reliable profit streams through high market shares and strong brand positions.

- Reducing GUD's exposure to sectors that are not displaying the same growth potential, have a historical record of volatile profitability and where the ability to build an internationally competitive business with scale is not present.

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

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

OPERATING AND FINANCIAL REVIEW
continued

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

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

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

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

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

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

The total estimated consideration for this acquisition is $9.1 million, including $1.8 million contingent consideration subject to business performance in the 12 months to 30 September 2017. During the nine months in which GEL has been part of the GUD Group it contributed revenue of $6.1 million and EBIT of $1.7 million.

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

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

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

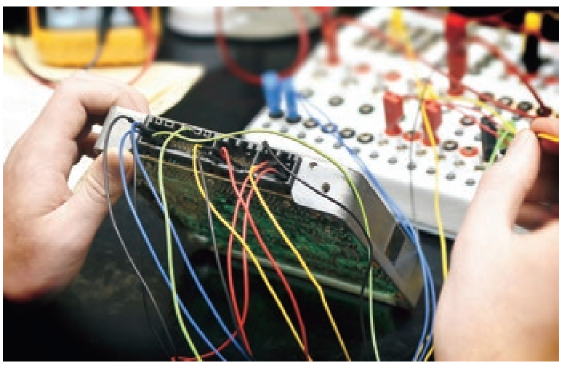
Lock Focus was sold to Safecorp Group Ltd, the owner of another niche business in the security industry, Australian Lock Company. The transaction was completed on 1 December 2016 and GUD reported a net book loss of $3.9 million associated with this sale in the accounts.

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

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

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

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



Innovative Mechatronics Group (IMG) Acquisition
The opportunity to acquire IMG arose during the year and the transaction was completed on 1 June 2017.

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

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

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

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

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

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

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

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

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

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

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

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

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

OPERATING AND FINANCIAL REVIEW
continued

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

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

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

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

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

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

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

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

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

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

Corporate Social Responsibility

People, Safety and Culture

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

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

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

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

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

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

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

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

For many years, GUD has run a comprehensive program of annual inspections of the major sites by trained personnel from other businesses within the Group. This year, the focus turned to the smaller and remote branch warehouses in the Group, of which there are 15, where a number of incidents had raised the prospect that previously safety business plans were not addressing those sites and the common risks they faced.

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

OPERATING AND FINANCIAL REVIEW
continued

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

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

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

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

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

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

Sustainability

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

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

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

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

Risk Review

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

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

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

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

The risks identified for priority are detailed below:

Brand reputation risk due to poor product quality. GUD relies heavily on external manufacturers to supply products that comply with GUD's brand quality standards. Any decline in quality could cause major reputational damage and a consequent degradation in brand equity.

Consolidation of the customer base. Further consolidation of corporate ownership of the customers served by GUD's businesses could potentially lead to pressures to negotiate less favourable trading terms for GUD and to demands for additional promotional allowances and other margin-reducing activities.

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

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

GUD still considers supply chain risk, which includes supplier failure and the inability to receive products sourced from offshore suppliers, to be a threat. GUD is heavily dependent on offshore suppliers for a substantial proportion of its product range. Oates and the Automotive businesses import their full product needs, while Davey manufactures and assembles, as well as sources from external suppliers. There are several individual risks that can be categorised under this topic, including supplier financial failure and country risk through sourcing and shipping predominantly from one location. Monitoring and mitigation activities continue to reduce and manage the severity of these risks.

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

Foreign Exchange Risk

The impact of foreign currency fluctuations on the purchases of goods in foreign currencies when translated back to the functional currency of the relevant subsidiary remains a material business risk that could adversely affect achievement of GUD's strategy outlined in the 'Strategy' section above and financial prospects described in the following 'Outlook' section, unless appropriate compensating controls and risk mitigation actions are in place.

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

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

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

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

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

OPERATING AND FINANCIAL REVIEW
continued

Outlook

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

BOARD OF DIRECTORS


R M Herron*


A L Templeman-Jones*


M G Smith*

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


G A Billings*


D D Robinson*


J P Ling

R M Herron*
FCA FAICD

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

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

He is also a Non-Executive Director of Select Harvests Limited (since January 2005). He was formerly Non-Executive Director of Insurance Manufacturers Australia Ltd (retired January 2017) and Kinetic Superannuation Fund (retired February 2017). Mr Herron is Immediate Past President and former Chairman of the Royal Automobile Club of Victoria (RACV) Ltd (retired December 2014).

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

A L Templeman-Jones*
BComm MRM EMBA CA FAICD

Appointed Non-Executive Director on 1 August 2015.

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

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

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

Appointed Non-Executive Director on 26 May 2009.

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

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

G A Billings*
BCom FCA MAICD

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

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

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

D D Robinson*
BSc MSc

Appointed Non-Executive Director on 20 December 2011.

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

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

J P Ling
BEng MBA FAICD

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

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

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

* All Non-Executive Directors are independent.

EXECUTIVES


Martin Fraser


Malcolm Tyler


David Draycott


Bob Pattison


George Davies


Guy Nicholls


Terry Cooper


David Worley


David Chin

Corporate Executives

M A Fraser
B Bus, EMBA, GAICD, FCA

Chief Financial Officer

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

M G Tyler
LLB BCom (Hons) MBA AGIA

Company Secretary

Mr Tyler is an associate of Governance Institute Australia, a former partner with Freehills and general counsel with Southcorp Limited. He has held a legal practicing certificate in Victoria for 31 years.

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

General Manager Strategy & Planning

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

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

GUD Automotive Division

B Pattison
BB(Mkt) CPM AMI GAICD

Chief Executive Officer

Mr Pattison joined GUD as CEO of RYCO in 2004. He has a wealth of experience in the automotive industry having held senior sales, marketing, and general management roles with Ford, International Harvester, Nissan and Calsonic. In 2013, he was appointed President of the Australian Automotive Aftermarket Association. On 1 July 2015, he was appointed CEO of the newly acquired Brown & Watson International and on 9 May 2017, was appointed to the new role of Chief Executive Officer of the GUD Automotive Division. The Automotive Division comprises Brown & Watson, RYCO Group, Wesfil Australia, Griffiths Equipment and Innovative Mechatronics Group.

Brown & Watson International (BWI)

G Davies
BEng (MechEng) (Hons) MBA(Hons)

Chief Executive Officer

Mr Davies joined Brown & Watson International in 2002 and has held various senior roles within the company, including product development, and sales and marketing management. He was appointed Chief Executive Officer on 1 August 2017. Prior to joining BWI, Mr Davies worked with Goulburn-Murray Water as a Mechanical Engineer.

RYCO Group

G Nicholls
MAICD GradDip BA Dip (Sales & Marketing)

Chief Executive Officer

Mr Nicholls joined GUD in 2008 and has close to 30 years' experience in the automotive industry. His experience covers service management and technical roles at dealerships, followed by senior management roles for aftermarket companies such as Federal-Mogul, Motospecs and Disc Brakes Australia. Mr Nicholls currently holds the position of Secretary on the National Council of the Australian Automotive Aftermarket Association.

Wesfil

T Cooper
Managing Director

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

Davey Water Products

D Worley
BCom EMBA GAICD

Chief Executive Officer

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

ED Oates

D Chin
BAppSc GradDipEng
PostGradDip (Management)

Chief Executive Officer

Mr Chin joined ED Oates in October 2016. Prior to ED Oates, he held general management roles within Wesfarmers and Pacific Brands managing businesses within Australia, the UK and UAE. With a background in strategy, marketing and operations, Mr Chin has also occupied leadership roles within Holden, GE and BHP.

FINANCIAL SUMMARY AND RATIOS

Financial Summary and Ratios		2013	2014	2015	2016	**2017**
Sales and Profitability[1]						
Sales Revenue	$m	596.5	591.6	497.1	595.5	**426.3**
Underlying EBIT	$m	56.4	49.0	51.6	78.6	**83.6**
Underlying NPAT	$m	37.4	31.0	32.7	44.4	**51.9**
Acquisition, integration, restructuring and impairment costs	$m	(7.7)	(19.0)	(1.7)	(87.3)	**(0.3)**
Net Profit Before Tax[2]	$m	43.5	23.7	42.8	(23.3)	**72.7**
Net Profit After Tax	$m	31.5	17.7	31.1	(40.9)	**51.5**
Cash Flow						
Cash flow from Operating Activities	$m	51.5	29.6	34.1	70.2	**45.3**
Financial Position						
Current Assets	$m	213.3	234.4	307.6	343.4	**202.6**
Current Liabilities	$m	94.9	116.8	135.7	168.7	**100.9**
Net Debt	$m	64.9	98.4	(0.6)	167.8	**160.8**
Net Tangible Assets	$m	68.7	41.6	188.3	44.8	**(36.6)**
Total Equity	$m	239.1	209.3	356.2	274.6	**200.9**
Per Share Performance						
Underlying Basic Earnings Per Share[1]	cps	52.5	43.5	45.2	52.0	**60.5**
Basic Earnings Per Share[1]	cps	44.2	24.8	43.0	(48.0)	**60.1**
Interim and Final Dividend	cps	52	36	42	43	**46**
Special dividends	cps	20.0				
Total dividend per share	cps	72.0	36.0	42.0	43.0	**46.0**
Franked	%	100	100	100	100	**100**
Payout Ratio	%	99	83	93	83	**76**
Total shareholder return[3]	%	(23)	10	49	8	**46**
Share Statistics (at 30 June each year)						
Total Shares on Issue	m	71.3	70.9	85.1	85.3	**85.7**
Closing Share Price	$	5.99	6.22	8.84	9.11	**12.91**
Market Capitalisation	$m	427.3	441.2	752.1	777.3	**1,106.9**
Key Ratios						
Underlying EBIT/Sales[1]	%	9.5	8.3	9.6	13.2	**19.6**
Return on Capital Employed[1,4]	%	12.2	10.1	9.7	10.0	**14.2**
Return on Equity[1]	%	15.6	14.8	9.8	16.2	**25.7**
Return on Assets[1]	%	9.4	7.4	7.4	7.2	**11.2**
Net Debt/Total Capital	%	21.3	32.0	(0.2)	38.0	**44.5**
Net Debt/Market Capitalisation	%	15.2	22.3	(0.1)	21.6	**14.5**
Working Capital/Sales[1,5,6]	%	17	17	22	22.7	**27**
Capital Expenditure/Depreciation and Amortisation[1,6]	%	102	114	88	90.9	**58**
Interest Cover – times		10.8	7.7	7.2	6.1	**8.4**

1. Based on earnings from continuing operations, as reported.
2. Before share of equity accounted investees and non-controling interests.
3. Total shareholder return equals share price movement over the year plus dividends received, divided by the opening share price.
4. Capital employed equals equity plus net debt.
5. Based on working capital from continuing operations, as reported.
6. Based on capital expenditure from continuing operations, as reported.

CORPORATE DIRECTORY

Directors
R M Herron, Chairman
J P Ling, Managing Director
M G Smith
G A Billings
A L Templeman-Jones
D D Robinson

Chief Financial Officer
M A Fraser

Company Secretary
M G Tyler

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Facsimile: +61 2 9938 6547
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www.wesfil.com.au

FINANCIAL CALENDAR 2017/18

2017

September
Payment of final dividend – 1 September

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

October
Annual General Meeting – 26 October

2018

Late January
Announcement of results for the half-year ending 31 December 2017

Announcement of dividend

February/March
Record date for interim dividend

Payment of interim dividend

June
End of Company's 2017/18 financial year

Late July
Preliminary announcement of results for 2017/18 financial year

Timing of events can be subject to change

Annual General Meeting

The Annual General Meeting of GUD Holdings Limited will be held at the:

RACV Club
Level 17
501 Bourke Street
Melbourne
on Thursday, 26 October 2017 at 10.00am.