Appendix 4D
Interim Financial Report

GUD Holdings Limited
(ABN 99 004 400 891)

31 December 2018
(Previous corresponding period: 31 December 2017)

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Results for Announcement to the Market

For the six months ended 31 December 2018

Results from operations		% Change^/ from $'000		$'000
Revenue	**Up**	**13%**	**to**	**219,785**
Profit from continuing operations after tax	**Up**	**25,849**	**to**	**29,340**
Reported operating profit from continuing operations before interest and tax	**Up**	**9%**	**to**	**43,503**
Add back: Restructuring and transaction costs, after tax				446
Underlying profit from continuing operations before interest and tax*	**Up**	**10%**	**to**	**43,949**
Reported net profit from operations for the period attributable to members	**Up**	**3%**	**to**	**29,340**
Operating cash flow	**Down**	**73%**	**to**	**5,581**

* Underlying profit after tax and underlying profit before interest and tax are non-IFRS measures that have not been subject to audit or review.
^ Change compared to 31 December 2017 results.

Earnings per Share (EPS)	6 months ended 31 December	
	2018 Cents per share	2017 Cents per share
Earnings per share from continuing operations:		
Basic EPS	**33.9**	30.0
Diluted EPS	**33.7**	29.8
Underlying basic EPS	**34.3**	30.2
Underlying diluted EPS	**34.1**	30.0

Dividends	Cents per share	% franked
Interim dividend	**25 cents**	**100%**
Date the dividend is payable		1 March 2019
Record date for determining entitlements to the dividend:		13 February 2019
Trading ex-dividend		12 February 2019
Interim Dividends		
In respect of the 2019 financial year as at 31 December 2018	**25 c**	**100%**
In respect of the 2018 financial year as at 31 December 2017	**24 c**	**100%**
Final Dividends		
In respect of the 2018 financial year as at 30 June 2018	**28 c**	**100%**
In respect of the 2017 financial year as at 30 June 2017	**25 c**	**100%**

Net debt	**142,172**

Net Tangible Assets (NTA)	As at 31 December	
	2018	2017
NTA	**20,619**	**30,515**
NTA per share	**0.24**	**0.35**

This half year report is based on financial statements which have been subject to an independent review.

Refer to the media release for a brief explanation of the figures reported above.

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30 January 2019

GUD Holdings Limited results for half year ended 31 December 2018

Double digit growth in Automotive business underpins 14% uplift in continuing operations NPAT

GUD Holdings Limited today announced a reported net profit after tax, for the half year ended 31 December 2018, of $29.3 million, up 3% from $28.4 million in the previous corresponding period which included a $2.5 million contribution from the Oates business.

Underlying NPAT on continuing operations of $29.6 million was up 14% on the same period last year with a record result for the Automotive businesses marginally offset by a decline in Davey.

Revenue from continuing operations was up 13% to $220 million with the growth coming from both organic and acquired growth within the Automotive businesses.

Underlying EBIT from continuing operations of $43.9 million was 10% up from the $40.1 million recorded in the previous corresponding period. EBIT from continuing operations was $43.5 million, an increase of 9% from last year's $39.9 million and this included $0.4 million of significant items, principally related to manufacturing restructuring costs within the Davey business.

At the balance date, the reported net debt was $142 million compared to $194 million at the end of December 2017. The reduction was primarily due to the receipt of proceeds from the sale of Oates, partially offset by the acquisition of Disc Brakes Australia Pty Ltd which joined the Group on 2 July 2018.

Basic earnings per share from continuing operations was up 13% to 33.9 cents.

An interim dividend of 25 cents per share fully franked was announced, an increase of 4% on last year's level and this represents a payout of 74% on basic earnings per share from continuing operations. The dividend is payable on 1 March 2019.

Commenting on the financial results, the recently appointed Managing Director Graeme Whickman said "I'm pleased to be able to report such a solid financial performance across the Group for my maiden results. Credit for these numbers goes to the team with a record performance recorded from the Automotive segment. Automotive continued to show organic growth in the first half and the newly-acquired Disc Brakes Australia business has performed ahead of our initial expectations.

In the period, we have continued to invest in mid-term growth initiatives across the GUD Group. To support this, we have built up inventory in Brown and Watson (BWI) as the business gears up for the new catalogue launch in the second half of this year, a significant event for BWI which occurs every two to three years. We have also invested in people to support program introductions across the Automotive and Davey businesses. We anticipate these investments will help deliver improved results for the second half and into next year".

Segment Summary - for the half year to 31 December

	Revenue			Segment result (EBIT)			Underlying EBIT		
$ million	2017	2018	% change	2017	2018	% change	2017	2018	% change
Automotive	142.4	167.6	18%	40.2	44.3	10%	40.3	44.4	10%
Davey	52.3	52.2	0%	4.7	3.6	-23%	4.7	4.1	-13%
Unallocated	-	-	-	(5.0)	(4.4)	-12%	(4.9)	(4.5)	-8%
Total Continuing Operations	194.7	219.8	13%	39.9	43.5	9%	40.1	43.9	9%
Discontinued Operations	36.1	-	-	4.0	-	-	4.6	-	-
Total	**230.8**	**219.8**	**-5%**	**43.9**	**43.5**	**-1%**	**44.7**	**43.9**	**-2%**

Automotive Products EBIT increased 10% to $44.3 million

The Automotive businesses reported an attractive sales growth of 18%, which consisted of organic growth and the balance coming from the acquired businesses.

The current period result includes six months' contribution from Disc Brakes Australia.

AA Gaskets contributed one month's financial performance in the first half of FY18 and a full six months in the current year.

There was EBIT growth of 10% over the prior year. The EBIT/sales ratio reduced slightly to 26%, reflecting the early contribution from the acquired businesses and mix changes within the BWI business.

Wesfil continued its pattern of robust organic growth across both traditional and new product ranges in both wear parts and other automotive parts as well as new lines such as "Cooper Kleen".

Ryco Filters' strong sales growth in cabin air, fuel and heavy duty filters was in line with their growth segments strategy and they continue to introduce new products to meet the expanding range of vehicles in the car parc.

BWI continued to generate organic sales growth from a combination of new products introduced in the last couple of years, especially in forward lighting for the Narva brand and mobile power management through the Projecta brand.

BWI increased internal resources to support new product development and we anticipate an increase in BWI product tooling investments over the next eighteen months to support mid-term growth.

Mr Whickman stated "We firmly believe that the Automotive segment continues to demonstrate significant potential for compelling organic and acquired growth. We will continue to pursue Automotive acquisition opportunities with a disciplined approach, that fit within our investment criteria, and at transaction prices, which will add shareholder value".

Davey EBIT decreased 23% to $3.6 million

Whilst Davey improved market share in the period, its reported sales of $52 million were in line with the prior year. This reflected a reduction in demand across the market in the key sell-in months of September to November, due to drought conditions in much of the eastern seaboard.

The result included one-off costs ($0.4 million), mainly associated with the rationalisation of manufacturing associated with moving some lower-priced products to contract manufacture to improve the product cost position.

The Underlying EBIT of $4.1 million was 13% below the prior year, reflecting the impact of domestic cost inflation pressures and expenditure on the commercialisation and market introduction of the Microlene Dairy. Davey is working with major milk processors to address market introduction and field trials for Microlene Dairy. Davey also remains focused on product renewal and sales effectiveness in other categories.

In summarising the Davey performance, Mr Whickman commented "The Water result showed some challenges, largely due to the drought. The numbers mask improvements made in our people, market focus and product innovation. Early signs in December and January show some positive momentum is building and we expect this should translate into improved performance in the second half."

Outlook

In addressing the outlook for the balance of this financial year, Mr Whickman noted "From the Automotive businesses we are expecting similar ongoing performance, with further organic growth across the businesses and a full twelve months' contribution from Disc Brakes Australia. Davey is seeing some early signs of improved sales performance and continues to focus on strengthening their platform for mid-term growth in innovative product segments."

The existing key pillars behind GUD's profitable growth strategy are sound, and we intend to maintain the focus of the business to further grow and expand our position in the Automotive segment. We're excited by the opportunity to leverage the existing strong market positions of our Automotive businesses, and to find further complementary, value adding automotive acquisitions. We also see opportunities in the water business to gain scale through organic growth opportunities, and deliver a more sustainable future revenue and earnings growth over the medium term.

For further information:
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Managing Director
GUD Holdings Limited
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Directors' Report

The Directors of GUD Holdings Limited (the Company) present their report on the consolidated entity, being the Company and its subsidiaries, as at and for the six months ended 31 December 2018.

Directors

The names of the Directors of the Company at any time during or since the end of the interim period are:

Non-Executive Directors

M. G. Smith (Chairman)

G. A. Billings

D. D. Robinson

A. L. Templeman-Jones

Executive Director

G. Whickman (Appointed Managing Director on 1 October 2018)

J.P. Ling (Former Managing Director – through to 30 September 2018)

Review of Operations

A review of the Group's operations during the six months ended 31 December 2018 and the results of these operations are set out in the attached results announcement.

Significant Changes

On 2 July 2018, the Company completed the acquisition of Disc Brakes Australia Pty Ltd ("DBA") for $21.972 million. The business will form part of the Ryco Group and will be positioned as a premium disc rotors and pads supplier across Australia, New Zealand, USA and Europe.

GUD First Half Results

The consolidated net profit for the six months ended 31 December 2018 attributable to the shareholders of GUD Holdings Limited after providing for income tax was $ 29.340 million (2017: $28.374 million).

Segmental Results

Segmental results for the six months ended 31 December 2018 are set out in note 4 to the financial statements.

Dividends

On 30 January 2019, the Board of Directors declared a fully franked interim dividend in respect of the 2019 financial year of 25 cents per share. The record date for the dividend is 13 February 2019 and the dividend will be paid on 1 March 2019. The Dividend Reinvestment Plan remains suspended.

Significant Events after Year End

In the opinion of the Directors, no matters or circumstances have arisen since 31 December 2018 which significantly affected or may affect the operations of the consolidated entity which have not been outlined in this report.

Auditor Independence

The auditor's independence declaration made under section 307C of the Corporations Act 2001 is set out on page 36 of the accompanying condensed consolidated interim Financial Statements and forms part of this Report.

Rounding Off

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

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

Mark Smith

M G Smith
Chairman of Directors

G Whickman
Managing Director

Melbourne, 30 January 2019

Condensed Consolidated Interim Financial Statements

Condensed Consolidated Income Statement

For the Six Months Ended 31 December		2018	2017^
	Note	$'000	$'000
Continuing operations			
Revenue	2	**219,785**	194,713
Cost of goods sold		**(112,723)**	(98,616)
Gross Profit		**107,062**	96,097
Other income		**211**	78
Marketing and selling		**(28,069)**	(25,750)
Product development and sourcing		**(5,865)**	(5,916)
Logistics expenses		**(12,263)**	(10,178)
Administration		**(16,965)**	(14,239)
Other expenses, including impairment		**(608)**	(187)
Results from operating activities		**43,503**	39,905
Net finance expense		**(2,890)**	(4,278)
Profit before tax from continuing operations		**40,613**	35,627
Income tax expense		**(11,273)**	(9,778)
Profit for the period from continuing operations		**29,340**	25,849
Discontinued operations			
Profit from discontinued operations, net of tax		**-**	2,525
Profit from operations, net of income tax		**29,340**	28,374
Profit attributable to owners of the Company		**29,340**	28,374
Earnings per share from continuing operations:			
Basic earnings per share (cents per share)	3	**33.9**	30.0
Diluted earnings per share (cents per share)	3	**33.7**	29.8
Earnings per share from discontinued operations:			
Basic earnings per share (cents per share)	3	**-**	2.9
Diluted earnings per share (cents per share)	3	**-**	2.9

^ The Group has initially applied AASB 15 using the cumulative effect method. Under this method, the comparative information is not restated (refer note 1).

The notes on pages 15 to 33 are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Comprehensive Income

For the Six Months Ended 31 December	Note	2018	2017^
		$'000	$'000
Profit for the period		**29,340**	28,374
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translating results of foreign operations		**472**	167
Net fair value adjustments recognised in the hedging reserve		**948**	1,019
Net change in fair value of cash flow hedges transferred to inventory		**(3,224)**	(7)
Equity settled share based payment transactions		**944**	967
Income tax on items that may be reclassified subsequently to profit or loss		**680**	(346)
Other comprehensive (loss)/income for the period, net of tax		**(180)**	1,800
Total comprehensive income for the period		**29,160**	30,174
Non-controlling interests		**-**	-
Total comprehensive income attributable to owners of the Company		**29,160**	30,174

^ The Group has initially applied AASB 15 using the cumulative effect method. Under this method, the comparative information is not restated (refer note 1).

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

The notes on pages 15 to 33 are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Balance Sheet

As at	Note	31 December 2018 $'000	30 June 2018^ $'000
Current assets			
Cash and cash equivalents		**16,055**	50,610
Trade and other receivables		**106,415**	96,687
Inventories		**107,097**	87,500
Derivative assets	8	**1,557**	3,677
Other financial assets	8	**516**	516
Current tax receivable		**69**	4
Other assets		**7,240**	4,685
Total current assets		**238,949**	243,679
Non-current assets			
Goodwill	5	**125,271**	115,396
Other intangible assets	6	**124,376**	119,410
Property, plant and equipment		**12,224**	10,638
Derivative assets	8	**1**	10
Other financial assets	8	**1,136**	1,284
Deferred tax assets		**8,418**	7,927
Investments		**2,021**	2,021
Total non-current assets		**273,447**	256,686
Total assets		**512,396**	500,365
Current liabilities			
Trade and other payables		**54,538**	56,398
Provisions		**12,903**	11,933
Borrowings	7	**114**	72
Derivative liabilities	8	**55**	2
Other financial liabilities	8	**1,625**	1,625
Current tax payables		**10,660**	16,517
Total current liabilities		**79,895**	86,547
Non-current liabilities			
Provisions		**1,933**	1,916
Borrowings	7	**158,113**	142,992
Derivative liabilities	8	**973**	1,080
Other financial liabilities	8	**802**	2,427
Other non-current liabilities		**414**	81
Total non-current liabilities		**162,235**	148,496
Total liabilities		**242,130**	235,043
Net assets		**270,266**	265,322
Equity			
Share Capital	9	**112,880**	112,880
Reserves		**10,205**	32,793
Retained earnings		**147,181**	119,649
Total equity attributable to owners of the Company		**270,266**	265,322
Total equity		**270,266**	265,322

^ The Group has initially applied AASB 15 using the cumulative effect method. Under this method, the comparative information is not restated (refer note 1).

The notes on pages 15 to 33 are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Changes in Equity

For the Six Months Ended 31 December	Note	2018 $'000	2017^ $'000
Balance at the beginning of the period		**265,322**	200,914
Comprehensive Income			
Profit for the period attributable to owners of the Company		**29,340**	28,374
Other Comprehensive (loss)/income attributable to owners of the Company		**(1,124)**	833
Equity settled share-based payment transactions		**944**	967
Total Comprehensive Income attributable to owners of the Company		**29,160**	30,174
Transactions with owners recognised in equity			
Dividends paid	10	**(24,216)**	(21,546)
Total transactions with owners		**(24,216)**	(21,546)
Balance at the end of the period		**270,266**	209,542

^ The Group has initially applied AASB 15 using the cumulative effect method. Under this method, the comparative information is not restated (refer note 1).

The amounts recognised directly in equity are net of tax.

The notes on pages 15 to 33 are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Cash Flow Statement

For the Six Months Ended 31 December	Note	2018 $'000	2017 $'000
Cash flows from operating activities			
Receipts from customers		**238,883**	227,247
Payments to suppliers and employees		**(215,508)**	(192,755)
Income taxes paid		**(17,794)**	(13,896)
Net cash provided by operating activities		**5,581**	20,596
Cash flows from investing activities			
Payments for intangible assets		**(1,100)**	-
Payments for property, plant and equipment		**(2,619)**	(1,313)
Proceeds on sale of property, plant and equipment		**67**	96
Acquisition of subsidiary, net of cash acquired		**(23,597)**	(23,039)
Net cash used in investing activities		**(27,249)**	(24,256)
Cash flows from financing activities			
Proceeds of borrowings		**25,520**	44,853
Repayment of borrowings		**(11,169)**	(8,808)
Net proceeds of loans receivable		**148**	258
Interest received		**56**	52
Interest paid		**(3,452)**	(4,080)
Dividends paid	10	**(24,216)**	(21,546)
Net cash (used in)/ provided by financing activities		**(13,113)**	10,729
Net (decrease)/increase in cash held		**(34,781)**	7,069
Cash and cash equivalents at the beginning of the period		**50,610**	10,238
Effects of exchange rate changes on the balance of cash held in foreign currencies		**226**	(715)
Cash and cash equivalents at the end of the period		**16,055**	16,592

The notes on pages 15 to 33 are an integral part of these condensed consolidated financial statements.

1. Basis of preparation and changes to the Group's accounting policies

This section sets out the Group's accounting policies that relate to the financial statements.

Reporting Entity

GUD Holdings Limited (the 'Company') is a for profit company domiciled in Australia. The condensed consolidated financial statements of the Company as at and for the six months ended 31 December 2018 comprises the Company and its subsidiaries (together referred to as the 'Group').

The Group is primarily involved in manufacture and importation, distribution and sale of automotive products, pumps, pool and spa systems and water pressure systems, with operations in Australia, New Zealand, France and Spain (note 4).

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2018 are available on request from the Company's registered office at 29 Taras Avenue, Altona North, Victoria, 3025 or at www.gud.com.au.

Basis of Preparation

The condensed consolidated interim financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001 and AASB 134 Interim Financial Reporting. The interim financial statements do not include all the information required for a complete set of annual financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last consolidated annual financial statements as at and for the year ended 30 June 2018.

The condensed consolidated financial statements were authorised for issue by the Directors on 30 January 2019.

Rounding off

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016 and in accordance with that Instrument, amounts in the financial statements have been rounded off to the nearest thousand dollars, unless otherwise stated.

Basis of measurement

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

- Derivatives (note 8)
- Other financial instruments (note 8)

Functional and presentation currency

The condensed consolidated interim financial statements are presented in Australian dollars which is the Company's functional currency and the functional currency of most of the Group.

Use of estimates and judgements

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated annual financial statements as at and for the year ended 30 June 2018, except for the adoption of new accounting standards effective 1 July 2018.

1. Basis of preparation and changes to the Group's accounting policies (continued)

New standards, interpretations and amendments adopted by the Group

The accounting policies and methods of computation applied by the consolidated entity in these interim financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the full year ended 30 June 2018, except for the adoption of new standards effective as of 1 July 2018.

The Group applies, for the first time, AASB 15 Revenue from Contracts with Customers and AASB 9 Financial Instruments. As required by AASB 134, the nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in financial year 2019, but do not have an impact on the interim condensed consolidated financial statements of the Group.

AASB 15 Revenue from Contracts with Customers

AASB 15 supersedes AASB 111 Construction Contracts, AASB 118 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted AASB 15 using the cumulative effect method – i.e. by recognising the cumulative effect of initially applying AASB 15 as an adjustment to the opening balance of retained earnings at 1 July 2018. Therefore, the comparative information has not been restated and continues to be reported under AASB 118 and AASB 111. There is no material impact to the financial statements of the Group as a result of adopting this standard. Key elements of the Group's transition assessment, new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's goods and services are set out below.

Under AASB 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

Type of product or service	**Nature, timing of satisfaction of performance obligations, significant payment terms**	**Nature of change in accounting policy**
(i) Sale of goods	The Group's contracts with customers for the sale of Automotive products, pumps, pool and spa systems and water pressure systems generally include one performance obligation. Therefore, revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the good. Invoices are usually payable within 30 days, and customers, contracts offer sales with right of return, volume rebates and marketing rebates. ***Right of return*** For contracts that permit the customer to return an item, revenue is recognised to the extent that it is probable that a significant reversal in the cumulative revenue recognised will not occur. Therefore, the amount of revenue is adjusted for expected returns, The Group uses historical average return rates to forecast expected future returns from its customers.	***Right of return*** Under AASB 118, revenue for these contracts was recognised when a reasonable estimate of the returns could be made, provided that all criteria for revenue recognition were met. If a reasonable estimate could not be made, then revenue recognition was deferred until the return period lapsed or a reasonable estimate of return could be made. Prior to the adoption of AASB 15, the amount of revenue related to the expected returns was deferred and recognised in the statement of financial position within Trade and other payables and a corresponding adjustment to Cost of sales. The initial carrying amount of goods expected to be returned was included within Inventories. As a result of changes noted above, the Group reclassified the provision for the right of return from Trade and other payables to Refund liabilities and the related return asset from Inventories to Right of return assets. There was no impact to retained earnings on adoption of AASB 15.

1. Basis of preparation and changes to the Group's accounting policies (continued)

(i) Sale of goods (continued)	***Volume rebates*** The Group provides retrospective volume rebates to some of its customers once the quantity of products purchased reach a specified volume. Retrospective volume rebates give rise to variable consideration. To estimate the variable consideration the Group uses historical average volume rebates to forecast expected volume rebates payable to its customers. ***Marketing rebates*** It is common for the Group's contracts to designate specific amounts to be spent on marketing and promotional activities. The marketing rebate is treated as a reduction in the transaction price when the Group pays an agreed upon amount to the customer for marketing activities, if the payment is in relation to a distinct good or service, the rebate is treated as a marketing expense.	***Volume rebates*** Prior to the adoption of AASB 15, the Group estimated volume rebates using historical data and inputs from its customers, similar to the expected value method, and included a provision for rebates in *Trade and other payables*. AASB 15, did not have a significant impact on the Group's accounting for volume rebates. On adoption, the Group recognised *Contract liabilities* for the expected future rebates and derecognised the provision for rebates included in *Trade and other payables*. There was no impact to profit. ***Marketing rebates*** Prior to the adoption of AASB 15, the Group would provide for the marketing rebate based on the amount specified in the contract and either account as a reduction in the transaction price or marketing and selling costs. Under AASB 15, the nature of the marketing activity will determine the treatment of the transaction, i.e. if marketing rebate is a deemed to be a separate performance obligation then it will be treated as a reduction in transaction price, if not then it should be treated as marketing expense. There will be no impact to profit.
(ii) Water treatment contract revenue	The Group's water business derives some of its revenue from providing customers with water treatment solutions. The Group has concluded that revenue from water treatment solutions meets the criteria set out in AASB 15 for revenue to be recognised over time, the Group will measure progress by using the inputs method.	AASB 15 did not have a significant impact on the Group's accounting policy.

1. Basis of preparation and changes to the Group's accounting policies (continued)

AASB 9 Financial Instruments

AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from AASB 139.

With the exception of hedge accounting, which the Group applied prospectively, the Group has applied AASB 9 retrospectively, with the initial application date of 1 July 2018 and adjusting the comparative information for the period beginning 1 July 2017.

(a) Classification and measurement

Under AASB139, the Group applied the classification of its hedge accounting at fair value through profit or loss ("FVPL") and all other reported financial instruments at amortised cost.

Under AASB 9, the Group has determined that there is no change to classification and measurement of financial instruments.

Set out below is a table showing the current accounting treatment under AASB 139 as compared to AASB 9:

Asset/Liability	Previous Accounting Treatment (AASB 139)	New accounting Treatment (AASB 9)
Cash and cash equivalents	Amortised cost	Amortised cost
Trade and other receivables	Amortised cost	Amortised cost
Foreign currency forward contracts	Fair value through profit or loss	Fair value through profit or loss
Interest rate swaps	Fair value through profit or loss	Fair value through profit or loss
Loans receivable – third parties	Amortised cost	Amortised cost
Contingent consideration receivable	Amortised cost	Amortised cost
Contingent consideration payable	Amortised cost	Amortised cost
Other consideration payable	Amortised cost	Amortised cost
Borrowings and loans	Amortised cost	Amortised cost

(b) Impairment

The adoption of AASB 9 has changed the Group's accounting for impairment losses for *Trade and other receivables* by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

AASB 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets (including Trade and other receivables) not held at FVPL.

For Trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. AASB 9 did not have a significant impact on the Group's accounting policy.

(c) Hedge accounting

The Group applied hedge accounting prospectively. At the date of the initial application, all of the Group's existing hedging relationships were eligible to be treated as continuing hedging relationships. Consistent with prior periods, the Group has continued to designate the change in fair value of the entire forward contract in the Group's cash flow hedge relationships and, as such, the adoption of the hedge accounting requirements of AASB 9 had no significant impact on the Group's financial statements.

Under AASB 139, all gains and losses arising from the Group's cash flow hedging relationships were eligible to be subsequently reclassified to profit or loss. However, under AASB 9, gains and losses arising on cash flow hedges of forecast purchases of non-financial assets need to be incorporated into the initial carrying amounts of the non-financial assets. Therefore, upon adoption of AASB 9, the Net gain or loss on cash flow hedges was presented under 'Other comprehensive income not to be reclassified to profit or loss in subsequent periods'. This change only applies prospectively from the date of initial application of AASB 9 and has no impact on the presentation of comparative figures.

1. Basis of preparation and changes to the Group's accounting policies (continued)

Standards issued but not yet effective

Several new standards and amendments to standards are effective for annual periods beginning after 1 July 2018 and earlier application is permitted, however, the Group has not applied the following new or amended standards in preparing these consolidated financial statements.

AASB 16 Leases

AASB 16 replaces existing leases guidance, including AASB 117 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. The standard removes the classification of leases as either operating leases or finance leases for the lessee, effectively treating all leases as finance leases. This will effectively move all off-balance sheet operating leases onto the balance sheet that is similar to current finance lease accounting. The application date of this standard for the Group will be 1 July 2019. Early adoption is permitted.

The Group has chosen an implementation project team, which includes subject matter experts, to assist with the implementation of the standard. To date the implementation team has:

- Generated an inventory of leases, including identifying leases that were not recognised as leases under the previous standard;
- Selected a lease accounting and management solution; and
- Developed internal policy responsive to the requirements of AASB 16, with focus on matters of judgement.

The implementation team will focus on determining the financial impact and disclosure requirements on adoption of the standard, as well as focusing on embedding the new policies and procedures.

Transition

As a lessee, the Group can either apply the standard using a:

- Retrospective approach or
- Modified retrospective approach with optional expedients

The lessee applies the election consistently to all its leases.

The Group plans to apply AASB 16 initially on 1 July 2019 using a modified retrospective approach. Therefore, the cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 July 2019, with no restatement of comparative information.

When applying a modified retrospective approach to leases previously classified as operating under AASB 117, the lessee can elect on a lease by lease basis, whether to apply a number of practical expedients on transition. The Group is assessing the potential impacts of using these practical expedients.

Results for the Half Year

2. Revenue from contracts with customers

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	For the six months ended 31 December 2018		
Segments	**Automotive**	**Davey**	**Total**
Type of goods or services	**$'000**	**$'000**	**$'000**
Sale of goods	167,556	51,297	218,853
Water solutions project income	-	932	932
Total Revenue from contracts with customers	**167,556**	**52,229**	**219,785**
Geographical markets			
Australia	151,039	43,423	194,462
New Zealand	16,517	6,863	23,380
Other	-	1,943	1,943
Total revenue from contracts with customers	**167,556**	**52,229**	**219,785**
Timing of revenue recognition			
Goods transferred at a point in time	167,556	51,297	218,853
Services transferred over time	-	932	932
Total Revenue from contracts with customers	**167,556**	**52,229**	**219,785**

^ The Group has initially applied AASB 15 using the cumulative effect method. Under this method, the comparative information is not restated (refer note 1).

The Group recognised impairment losses on receivables and contract assets arising from contracts with customers, included under Administrative expenses in the statement of profit or loss, amounting to $ 104,000 and $ 75,000 for the six months ended 31 December 2018 and 2017, respectively.

Set out below, is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

	For the six months ended 31 December			
	2018		2017	
	Automotive	**Davey**	**Automotive**	**Davey**
Revenue	**$'000**	**$'000**	**$'000**	**$'000**
External customer	**186,005**	**54,310**	155,219	54,076
Inter-segment	**-**	**-**	-	-
Adjustments and eliminations	**(18,449)**	**(2,081)**	(12,798)	(1,784)
Total revenue from contracts with customers	**167,556**	**52,229**	142,421	52,292

3. Earnings per share

Earnings per share ('EPS') is the amount of profit attributable to each share.

Basic EPS is calculated on the Group profit for the period attributable to equity shareholders divided by the weighted average number of shares on issue during the period.

Diluted EPS reflects any commitments the Group has to issue shares in the future, such as those issued upon vesting of performance rights, where the issuance of those shares will be dilutive compared to Basic EPS.

	Continuing operations		**Discontinued operations**	
For the Six Months ended 31 December	**2018**	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Profit for the period attributable to owners of the Company	**29,340**	25,849	**-**	2,525
	Number	Number	**Number**	Number
Weighted average number of ordinary shares used as the denominator for basic EPS	**86,461,292**	86,149,028	**-**	86,149,028
Effect of balance of performance rights outstanding at 31 December	**564,902**	657,398	**-**	657,398
Weighted average number of ordinary shares used as the denominator for diluted EPS	**87,026,194**	86,806,426	**-**	86,806,426
EPS		**Cents per share**		**Cents per share**
Basic EPS	**33.9**	30.0	**-**	**2.9**
Diluted EPS	**33.7**	29.8	**-**	**2.9**

4. Segment information

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

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

Business segments

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

Automotive

Automotive involves principally aftermarket parts and accessories for cars, trucks, agricultural and mining equipment including filtration, auto electrical, gaskets, brakes, fuel pumps, engine and vehicle management devices, and other automotive 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.

Geographical segments

The Group operates primarily in two geographical segments; Australia and New Zealand, refer note 2 for geographical sales disclosure.

4. Segment information (continued)

	As at and for the six months ended 31 December 2018					
	Automotive	Davey	Unallocated	Continuing operations	Discontinued operations	Total
Business segments	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Total segment revenue (external)	**167,556**	**52,229**		**219,785**	**-**	**219,785**
Underlying EBITDA	**45,496**	**4,587**	**(4,540)**	**45,543**	**-**	**45,543**
Less: Depreciation	(970)	(457)	(5)	(1,432)	-	(1,432)
Less: Amortisation and impairment of intangibles	(160)	-	(2)	(162)	-	(162)
Underlying EBIT	**44,366**	**4,130**	**(4,547)**	**43,949**	**-**	**43,949**
Transaction costs	-	-	(26)	(26)	-	(26)
Integration and sale incentives	(42)	-	127	85	-	85
Davey restructuring costs	-	(505)	-	(505)	-	(505)
Segment result (EBIT)	**44,324**	**3,625**	**(4,446)**	**43,503**	-	**43,503**
Interest income	-	525	56	581	-	581
Interest expense	(103)	(60)	(3,308)	(3,471)	-	(3,471)
Profit before tax	**44,221**	**4,090**	**(7,698)**	**40,613**	**-**	**40,613**
Tax expense	(13,362)	(1,103)	3,192	(11,273)	-	(11,273)
Profit	**30,859**	**2,987**	**(4,506)**	**29,340**	**-**	**29,340**
Non-controlling interest	-	-	-	-	-	-
Profit attributable to owners of the Company	**30,859**	**2,987**	**(4,506)**	**29,340**	**-**	**29,340**
Segment assets	**405,593**	**109,944**	**(3,141)**	**512,396**	**-**	**512,396**
Segment liabilities	**49,889**	**20,846**	**171,395**	**242,130**	**-**	**242,130**
Segment capital expenditure	**1,866**	**1,675**	**163**	**3,704**	**-**	**3,704**

4. Segment information (continued)

	As at and for the six months ended 31 December 2017					
	Automotive	Davey	Unallocated	Continuing operations	Discontinued operations	Total
Business segments	$'000	$'000	$'000	$'000	$'000	$'000
Total segment revenue (external)	**142,421**	**52,292**	**-**	**194,713**	**36,060**	**230,773**
Underlying EBITDA	**41,063**	**5,788**	**(4,895)**	**41,956**	**5,003**	**46,959**
Less: Depreciation	(780)	(703)	(3)	(1,486)	(354)	(1,840)
Less: Amortisation of intangibles	-	(368)	(1)	(369)	(8)	(377)
Underlying EBIT	**40,283**	**4,717**	**(4,899)**	**40,101**	**4,641**	**44,742**
Transaction costs	(53)	-	(94)	(147)	(675)	(822)
Restructuring	-	-	(49)	(49)	(8)	(57)
Total significant items	**(53)**	**-**	**(143)**	**(196)**	**(683)**	**(879)**
Segment result (EBIT)	**40,230**	**4,717**	**(5,042)**	**39,905**	**3,958**	**43,863**
Net finance costs	(258)	(102)	(3,918)	(4,278)	(27)	(4,305)
Profit before tax	**39,972**	**4,615**	**(8,960)**	**35,627**	**3,931**	**39,558**
Tax expense	(11,838)	(1,404)	3,464	(9,778)	(1,406)	(11,184)
Profit	**28,134**	**3,211**	**(5,496)**	**25,849**	**2,525**	**28,374**
Non-controlling interest	-	-	-	-	-	-
Profit attributable to owners of the Company	**28,134**	**3,211**	**(5,496)**	**25,849**	**2,525**	**28,374**

	As at and for the year ended 30 June 2018					
Segment assets	**366,688**	**103,063**	**30,342**	**500,093**	**272**	**500,365**
Segment liabilities	**51,563**	**19,150**	**164,217**	**234,930**	**113**	**235,043**
Segment capital expenditure	**1,866**	**1,675**	**163**	**3,704**	**59**	**3,763**

Intangible Assets

5. Goodwill

As at	Note	31 December 2018 $'000	30 June 2018 $'000
Gross carrying amount			
Balance at the beginning of the period		**115,396**	119,438
Acquisitions through business combinations	11	**9,448**	14,072
Disposed through divestments		**-**	(5,166)
Transfer to brand names and other intangible assets (AA Gaskets)	11	**-**	(12,629)
Net foreign currency difference arising on translation of financial statements of foreign operations		**427**	(319)
Balance at the end of the period		**125,271**	115,396

6. Other intangible assets

As at	31 December 2018 $'000	30 June 2018 $'000
Patents, licences and distribution rights at cost	**1,871**	411
Accumulated amortisation	**(403)**	(399)
Net patents, licences and distribution rights	**1,468**	12
Product development costs	**8**	8
Accumulated amortisation	**(8)**	-
Net product development costs	**-**	8
Customer Relationships	**4,441**	4,441
Accumulated amortisation	**(774)**	(614)
Net customer lists	**3,667**	3,827
Computer software	**149**	149
Accumulated amortisation	**(148)**	(145)
Net computer software	**1**	4
Brand names, business names and trademarks at cost	**119,240**	115,559
Accumulated amortisation and impairment	**-**	-
Net brand names, business names and trademarks	**119,240**	115,559
Total other intangible assets	**124,376**	119,410

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

Refer note 11 for intangible assets acquired through business combinations.

Capital Structure and Financing Costs

7. Borrowings

	Facilities as at 31 December 2018		Facilities as at 30 June 2018	
	Amount	Maturity	Amount	Maturity
	$ million	1 July	$ million	1 July
Tranche A – 5 year facility	185.0	2020	185 .0	2020
Tranche B – 5 year facility	60.0	2020	56.25	2020

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 overdraft debt incurred by its controlled entities. Interest on bank overdrafts is charged at prevailing market rates. The weighted average interest rate for all overdrafts as at 31 December 2018 is 4.45% (30 June 2018: 4.44%).

Unsecured bank loans

The Group has no unsecured bank loans.

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.

As at	Note	31 December 2018 $'000	30 June 2018 $'000
Current			
Unsecured bank loans		-	-
Secured finance lease liabilities (1)		**114**	72
	8	**114**	72
Non-current			
Unsecured bank loans		**158,113**	142,992
Secured finance lease liabilities (1)		-	-
	8	**158,113**	142,992

(1) Secured by the assets leased.

7. Borrowings (continued)

Financing facilities

As at	**31 December 2018 $'000**	30 June 2018 $'000
Total facilities available:		
Unsecured bank overdrafts	**4,951**	4,917
Unsecured bank loans	**245,000**	245,000
Unsecured money market facilities	**5,000**	5,000
	254,951	254,917
Facilities used at balance date:		
Unsecured bank overdrafts	**399**	155
Unsecured bank loans	**158,113**	142,992
	158,512	143,147
Facilities not utilised at balance date:		
Unsecured bank overdrafts	**4,552**	4,762
Unsecured bank loans	**86,887**	102,008
Unsecured money market facilities	**5,000**	5,000
	96,439	111,770

8. Financial Instruments

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable 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).

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

8. Financial instruments (continued)

As at 31 December 2018	Carrying value			Fair value			
	Current	Non-current	Total	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets measured at fair value							
Derivatives - Foreign currency forward contracts	1,557	-	1,557	-	1,557	-	1,557
Derivatives - Interest rate swaps at fair value	-	1	1	-	1	-	1
Other financial assets		110	110	-	-	110	110
Total financial assets measured at fair value	**1,557**	**111**	**1,668**	**-**	**1,558**	**110**	**1,668**
Financial assets not measured at fair value							
Cash and cash equivalents [a]	16,055	-	16,055	-	-	-	-
Trade and other receivables [a]	106,415	-	106,415	-	-	-	-
Other financial assets [a]	516	1,026	1,542	-	-	-	-
Total financial assets not measured at fair value	**122,986**	**1,026**	**124,012**	**-**	**-**	**-**	**-**
Total financial assets	**124,543**	**1,137**	**125,680**	**-**	**1,558**	**110**	**1,668**
Financial liabilities measured at fair value							
Derivatives - Interest rate swaps at fair value	55	973	1,028	-	1,028	-	1,028
Other financial liabilities	1,625	802	2,427	-	-	2,427	2,427
Total financial liabilities measured at fair value	**1,680**	**1,775**	**3,455**	**-**	**1,028**	**2,427**	**3,455**
Financial liabilities not measured at fair value							
Overdraft [a]							
Borrowings and loans [a]	114	158,113	158,227	-	-	-	-
Total financial liabilities not measured at fair value	**114**	**158,113**	**158,227**	**-**	**-**	**-**	**-**
Total financial liabilities	**1,794**	**159,888**	**161,682**	**-**	**1,028**	**2,427**	**3,455**

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

8. Financial instruments (continued)

As at 30 June 2018	Carrying value			Fair value			
	Current	Non-current	Total	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets measured at fair value							
Derivatives - Foreign currency forward contracts	3,677	-	3,677	-	3,677	-	3,677
Derivatives - Interest rate swaps at fair value	-	10	10	-	10	-	10
Total financial assets measured at fair value	**3,677**	**10**	**3,687**	**-**	**3,687**	**-**	**3,687**
Financial assets not measured at fair value							
Cash and cash equivalents [a]	50,610	-	50,610	-	-	-	-
Trade and other receivables [a]	96,687	-	96,687	-	-	-	-
Other financial assets [a]	516	1,284	1,800	-	-	-	-
Total financial assets not measured at fair value	**147,813**	**1,284**	**149,097**	**-**	**-**	**-**	**-**
Total financial assets	**151,490**	**1,294**	**152,784**	**-**	**3,687**	**-**	**3,687**
Financial liabilities measured at fair value							
Derivatives - Interest rate swaps at fair value	2	1,080	1,082	-	1,082	-	1,082
Other financial liabilities	1,625	2,427	4,052	-	-	4,052	4,052
Total financial liabilities measured at fair value	**1,627**	**3,507**	**5,134**		**1,082**	**4,052**	**5,134**
Financial liabilities not measured at fair value							
Borrowings and loans [a]	72	142,992	143,064	-	-	-	-
Total financial liabilities not measured at fair value	**72**	**142,992**	**143,064**	-	-	-	-
Total financial liabilities	**1,699**	**146,499**	**148,198**	**-**	**1,082**	**4,052**	**5,134**

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

8. Financial instruments (continued)

Derivative financial instruments

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

Contingent consideration

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

	For the six months ended 31 December 2018 $'000	For the year ended 30 June 2018 $'000
Current		
Contingent consideration payable – acquisition of 100% of IMG	**1,625**	1,625
Non-Current		
Contingent consideration payable – acquisition of 100% of IMG	**802**	2,427
Closing balance	**2,427**	4,052

The balance represents the potential earn-out relating to the acquisition of IMG.

9. Share Capital

The number of shares on issue at 31 December 2018 was 86,485,972 (31 December 2017: 86,185,698).

During the six months ended 31 December 2018:

- Nil shares were bought back on market and cancelled by the Group (31 December 2017: nil shares were bought back).
- 300,274 shares were issued to employees as a result of performance rights vesting under the GUD Holdings 2018 Long Term Incentive Equity Plan.

10. Dividends

Recognised amounts

	Cents per share	**Total amount $'000**	**Date of payment**	**Tax rate**	**Percentage franked**
Final dividend in respect of the 2018 financial year	28	24,216	31 August 2018	30%	100%
Interim dividend in respect of the 2018 financial year	24	20,685	2 March 2018	30%	100%
Final dividend in respect of the 2017 financial year	25	21,546	1 September 2017	30%	100%
Interim dividend in respect of the 2017 financial year	21	18,005	3 March 2017	30%	100%

Unrecognised amounts

Fully Paid Ordinary Shares	**Cents per share**	**Total amount $'000**	**Date of payment**	**Tax rate**	**Percentage franked**
Interim dividend in respect of the 2019 financial year	25	21,621	1 March 2019	30%	100%

Investments in Subsidiaries

11. Business Combination

Acquisition of Disc Brakes Australia

On 2 July 2018 the Company acquired 100% of the shares in Disc Brakes Australia Pty Ltd ("DBA"). The total estimated consideration for DBA was $21.972 million.

The Group will focus on improving DBA's market presence by expanding and refining its product offering in the automotive aftermarket segment.

For the six months ended 31 December 2018, DBA contributed $ 12.280 million of revenue and $ 2.426 million of EBIT to the Group's results.

Acquisition-related costs

During the period ended 31 December 2018, the Company incurred approximately $ 0.052 million of acquisition related costs including legal fees, due diligence and other advisory fees. This amount has been included in administrative expenses.

Identifiable assets acquired, and liabilities assumed

The following table summarises the recognised amounts of assets acquired, and liabilities assumed at the date of acquisition.

	DBA
	$'000
Cash and cash equivalents	944
Trade and other receivables	3,723
Deferred tax assets	552
Inventories	6,958
Property, plant and equipment	466
Trade and other payables	(3,546)
Provisions	(621)
Total identifiable net assets acquired	**8,476**

Fair values measured on a provisional basis

All assets and liabilities acquired have been determined on a provisional basis and the Company is in the process of finalising the assessment of fair value for specific assets and liabilities.

If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

11. Business Combination (continued)

Fair values measured on a provisional basis

The following table summarises the recognised amounts of assets acquired, and liabilities assumed at the date of acquisition with subsequent adjustment for identified intangible assets arising from the purchase price allocation exercise:

	2 July 2018 $'000	Fair value adjustments $'000	31 December 2018 $'000
Cash and cash equivalents	944	-	944
Trade and other receivables	3,723	-	3,723
Inventories	6,958	-	6,958
Property, plant and equipment	303	-	303
Brand names	-	2,664	2,664
Intellectual property	-	1,457	1,457
Leased assets	163	-	163
Deferred tax assets	552	-	552
Trade and other payables	(2,817)	-	(2,817)
Income tax payable	(660)	-	(660)
Finance lease	(69)	-	(69)
Provisions	(621)	(73)	(694)
Total identifiable net assets acquired	**8,476**	**4,048**	**12,524**

Goodwill

Goodwill arising from the acquisition has been recognised as follows:

	$'000
Total consideration	21,972
Less Fair value of identifiable net assets	12,524
Goodwill	**9,448**

The goodwill is largely attributable to DBA's knowledge in brake rotor development and manufacturing, and the anticipated synergies available from incorporating the DBA business into the Group's existing portfolio of Automotive products.

Acquisition of AA Gaskets

On 1 December 2017 subsidiaries of the Company acquired the business and net assets of AA Gaskets Pty Ltd and its New Zealand operation ("AAG Group"). The total consideration for AA Group was $21.013 million.

Fair values of acquired assets and liabilities

The following table summarises the recognised amounts of assets acquired, and liabilities assumed at the date of acquisition with subsequent adjustment for identified intangible assets arising from the purchase price allocation exercise:

	1 December 2017 $'000	Fair value adjustments $'000	31 December 2018 $'000
Trade and other receivables	3,735	-	3,735
Inventories	3,295	-	3,295
Property, plant and equipment	407	-	407
Brand names	-	8,979	8,979
Deferred tax assets	580	-	580
Trade and other payables	(367)	-	(367)
Provisions	(709)	-	(709)
Total identifiable net assets acquired	**6,941**	**8,979**	**15,920**

Goodwill

Goodwill has been adjusted because of the identified intangible assets as follows:

	$'000
Total estimated consideration	21,013
Less Fair value of identifiable net assets	15,920
Goodwill	**5,093**

As per the requirements of AASB 3 *Business Combinations* the fair value adjustments have been reflected in the balance sheet as at 30 June 2018.

Other Notes

12. Performance Rights

The Group established a Long-Term Incentive Plan under which Performance Rights are granted to a number of senior staff. The Performance Rights vest and convert into ordinary shares at the end of a 3-year period if a performance benchmark (being Total Shareholder Return relative to a peer group) is met.

Performance Rights were granted to several senior staff in the six months ended 31 December 2018 under the 2021 Long Term Incentive Plan.

The fair value of these Performance Rights has been calculated at the grant date by an independent expert in order to arrive at the expense to be booked through the Income Statement. The grant to staff was approved by the Remuneration Committee in a meetings held in July. The grant to the Managing Director occurred after the endorsement by the shareholders at the Annual General Meeting. The table below shows a summary of the Performance Rights granted during the period.

	Managing Director	**Other Staff**
Grant date	25/10/18	30/07/18
Number of Performance Rights granted	30,134	223,628
Value per right at grant date	$5.92	$6.69
Fair value at grant date	$178,335	$1,496,820
Exercise price	$0.00	$0.00
Expected volatility	28.0%	28.0%
Performance rights life remaining at 31 December 2018	2.5 years	2.5 years
Expected dividend yield p.a.	5.00%	5.00%
Risk free interest rate p.a.	2.01%	2.08%

A portion of the 2019, 2020 and 2021 Long Term Incentive Plans expenses has been included in the Income Statement in the current period in accordance with accounting standard AASB 2 Share-based Payment.

13. Subsequent events

Dividends declared

On 30 January 2019, the Board of Directors declared a fully franked interim dividend in respect of the 2019 financial year of 25 cents per share. Record date is 13 February 2019 and the dividend will be paid on 1 March 2019.

Other

Other than the items discussed above, no matters or circumstances have arisen since the end of the financial period that have significantly affected or may significantly affect the operating results or state of affairs of the Group.

Directors' Declaration

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

(a) the condensed consolidated interim financial statements and notes set out on pages 10 to 33 are in accordance with the *Corporations Act 2001*, including:

1. giving a true and fair view of the financial position of the Group as at 31 December 2018 and of its performance for the six months ended on that date;
2. complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and

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

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

On behalf of the Directors

Mark Smith

M G Smith
Chairman

G Whickman
Director

Melbourne, 30 January 2019

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 review of GUD Holdings Limited (the "Company") for the half-year ended 31 December 2018 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Chris Sargent
Partner

Melbourne
30 January 2019

Independent Auditor's Review Report

To the shareholders of GUD Holdings Limited

Report on the Interim Financial Report

Conclusion

We have reviewed the accompanying ***Interim Financial Report*** of GUD Holdings Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of GUD Holdings Limited is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 31 December 2018 and of its performance for the ***Interim Period*** ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Interim Financial Report*** comprises:

- Condensed consolidated balance sheet as at 31 December 2018
- Condensed consolidated income statement, Condensed consolidated statement of comprehensive income, Condensed consolidated statement of changes in equity and Condensed consolidated statement of cash flows for the Interim Period ended on that date
- Notes 1 to 13 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The ***Group*** comprises GUD Holdings Limited (the Company) and the entities it controlled at the Interim Period's end or from time to time during the Interim Period.

The ***Interim Period*** is the six months ended 31 December 2018.

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

- the preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- for such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the interim period ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of GUD Holdings Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an Interim Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

KPMG

KPMG

Chris Sargent
Partner

Melbourne
30 January 2019