

Appendix 4D

Interim Financial Report

GUD Holdings Limited
(ABN 99 004 400 891)

31 December 2017
(Previous corresponding period: 31 December 2016)





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Results for Announcement to the Market

For the six months ended 31 December 2017

Results from operations	% Change [^]			\$'000
Revenue	Up	11%	to	194,713
Reported net profit from continuing operations for the period attributable to members	Up	16%	to	25,849
Add back: Loss on sale of subsidiaries, restructuring and transaction costs, after tax				172
Underlying profit from continuing operations after tax *	Up	16%	to	26,021
Reported operating profit from continuing operations before interest and tax	Up	12%	to	39,905
Add back: Loss on sale of subsidiaries, restructuring and transaction costs, before tax				196
Underlying profit from continuing operations before interest and tax *	Up	12%	to	40,101
Underlying profit from discontinued operations before interest and tax *	Up	34%	to	4,641
Total underlying profit before interest and tax *	Up	14%	to	44,742
Operating cash flows	Up	37%	to	20,596

* 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 2016 restated results.

Earnings per Share (EPS)	6 months ended 31 December	
	2017	2016
	Cents per share	Cents per share
Earnings per share from continuing operations:		
Basic EPS	30.0	26.0
Diluted EPS	29.8	25.7
Underlying basic EPS	30.2	26.1
Underlying diluted EPS	30.0	25.8

Dividends	Cents per share	% franked
Interim dividend	24 cents	100%
Date the dividend is payable		2 March 2018
Record date for determining entitlements to the dividend:		14 February 2018
Trading ex-dividend		13 February 2018
Interim Dividends		
In respect of the 2018 financial year as at 31 December 2017	24c	100%
In respect of the 2017 financial year as at 31 December 2016	21c	100%
Final Dividends		
In respect of the 2017 financial year as at 30 June 2017	25c	100%
In respect of the 2016 financial year as at 30 June 2016	23c	100%

Net debt	194,201
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Net Tangible Assets (NTA)	As at 31 December	
	2017	2016
NTA	(27,931)	13,476
NTA per share	(\$0.32)	\$0.16

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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31st January 2018

GUD Holdings Limited results for half year ended 31st December 2017

Double digit growth in Automotive business underpins 16% uplift in continuing operations NPAT

GUD Holdings Limited today announced a reported net profit after tax, for the half year ended 31st December 2017, of \$28.4 million, up 61% from \$17.7 million in the previous corresponding period.

NPAT from continuing operations of \$25.8 million was up 16% on the result for the same period last year.

The continuing operations include the Automotive businesses and Davey, with Oates being re-classified as a discontinued operation following the November 2017 announcement of its sale.

Revenue from continuing operations was up 11% to \$195 million with this growth coming from both Automotive and Davey.

EBIT from continuing operations was \$39.9 million, an increase of 12% from last year's \$35.7 million. Included in this was \$0.2 million of significant items, principally related to acquisition transaction costs.

At the balance date the reported net debt was \$194 million, and this reduced by \$80 million on 2nd January 2018 following receipt of the Oates transaction proceeds.

An interim dividend of 24 cents per share fully franked was announced, an increase of 14% on last year's level and this represents a payout of 80% on basic earnings per share from continuing operations. The dividend is payable on 2nd March 2018.

"Organic revenue and earnings growth was evident in both Automotive and Davey, exemplifying the focus on product innovation across the group," Managing Director Jonathan Ling stated.

"This result highlights the continuing strong performance of our automotive businesses, which has been complemented with the recent acquisition of the AA Gaskets group and six month's contribution from IM Group," he said.

Mr Ling went on to say that "the sale of Oates completes the repositioning of GUD's portfolio. Since 2014 we have sold four businesses, providing proceeds totalling \$164 million. We have reinvested these funds, together with some additional capital, into Automotive interests, for a total commitment of \$258 million."

"It is clear that, with the recent automotive acquisitions, we continue to demonstrate a well-defined path to value creation. We are buying well, and the businesses have performed well since acquisition. We have a proven practice for securing margin expansion in the acquired businesses and there is potential for future consolidation of operations providing substantial synergy benefits," Mr Ling noted.

Segment Summary - for the half year to 31 December

	Revenue			Segment Result (EBIT)		
	2016	2017	% change	2016	2017	% change
\$ million						
Automotive	124.9	142.4	14%	35.8	40.2	12%
Davey	51.3	52.3	2%	4.3	4.7	9%
Unallocated				-4.4	-5.0	
Total Continuing Operations	176.1	194.7	11%	35.7	39.9	12%
Discontinued Operations	119.6	36.1	-70%	-5.1	4.0	
TOTALS	295.8	230.8	-22%	30.6	43.9	44%

Notes: Minor differences are due to rounding.

Further information in relation to the above is available in Note 3: Segment Information in Appendix 4D – Interim Financial Report.

Automotive Products EBIT increased 12% to \$40.2 million

The Automotive business reported attractive sales growth of 14%, which consisted of organic growth and the balance coming from the acquired businesses.

These results included one month's contribution from AA Gaskets and six months from IM Group.

Griffiths Equipment contributed two month's financial performance in the first half of FY17 and a full six months in these numbers.

There was a 12% EBIT growth and a small EBIT/sales reduction to 28%, reflecting the early contribution from the acquired businesses.

Wesfil's revenue and EBIT contributions have been underpinned by product range expansion in both hard parts and accessories. Additional sales growth has come from Wesfil taking on product ranges from the acquired businesses and selling them through their independent reseller customer base.

Growth in the Ryco filter business continues to flow from part number expansion to meet the changing needs of the car population and Ryco's unrivalled user conversion program. In addition, Ryco has introduced new filter ranges into markets segments it did not previously compete in, such as light trucks and commercial vehicles.

The Ryco Group result has also benefited from EBIT enhancement with the inclusion and integration of the IM Group for the six months, following the acquisition on 1st June 2017.

Brown & Watson's organic growth was generated from a combination of sales of new products introduced in the last couple of years, sales of new products introduced into new market segments in the current year, and a full six month's sales and EBIT from Griffiths Equipment in New Zealand.

The market segment opportunities available to Brown and Watson are substantial and, to capitalise on these, further investments in new products are occurring.

Davey EBIT increased 9% to \$4.7 million

Davey reported a 2% uplift in sales in the half, with New Zealand continuing to grow due to product innovation particular to that market and customer gains in Australia that have not been fully reflected in like-for-like growth.

A focus on improving Davey's cost position resulted in a significant improvement in its product costs and this led to the EBITDA uplift of 18%.

Davey's focus remains on innovation across several targeted market segments, particularly non-mains water supply and irrigation applications. These activities have progressed considerably in the half and there is an expectation that they will lead to improved sales in the second half.

Outlook

In addressing the outlook for the balance of this financial year Mr Ling noted "we are expecting improved contributions from both Davey and Automotive."

"This will come from the innovation activities that are in place across both businesses which will provide a portfolio of new products and services for both existing and new market segments," he said.

"In addition, the AA Gaskets and IM Group businesses will provide a full six months contribution to the Automotive results, while further profit improvement at the IM Group is expected as it becomes more integrated with Ryco."

"We anticipate that Davey will report a stronger second half due to the innovations mentioned, along with channel expansion and further product cost reductions."

In relation to GUD's portfolio Mr Ling went on to state that "we continue to actively assess further potential acquisitions in the automotive industry, due to its inherent attractiveness and our core strengths related to this industry."

In concluding, Jonathan Ling stated that "at GUD's Annual General Meeting in October we provided guidance for an underlying EBIT in FY18 of between \$90 million and \$94 million on a like-for-like basis."

"Since that time the Oates divestment has occurred, and we have acquired the AA Gaskets business. As a result of these portfolio activities it is expected that underlying EBIT for the full year will now be around \$90 million, including seven months' contribution from AA Gaskets and only six months from Oates."

"Additionally, the full year result will include a one-off after-tax profit contribution of around \$47 million arising from the sale of Oates," Mr Ling stated.

For further information:

Jonathan Ling
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 2017.

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

R. M. Herron (Former Chairman – through to 15 November (2017)

M. G. Smith (Appointed Chairman on 15 November 2017)

G. A. Billings

D. D. Robinson

A. L. Templeman-Jones

Executive Director

J.P. Ling (Managing Director)

Review of Operations

A review of the Group's operations during the six months ended 31 December 2017 and the results of these operations are set out in the attached results announcement.

Significant Changes

On 1 December 2017, the Company completed the acquisition of AA Gaskets Pty Ltd for around \$22 million. The business will form part of the Ryco Group and will be positioned as a premium gasket supplier in Australia and New Zealand.

The Group has also entered into an agreement to divest the Oates janitorial and household cleaning business to Freudenberg Household Products Pty Ltd for an enterprise value of \$80 million. The transaction completed on 2 January 2018. This divestment seeks to better align the Group's core business of providing automotive aftermarket and water solutions to the Australian and New Zealand markets.

In the opinion of the Directors, other than the matters referred to above, there were no significant changes in the state of affairs of the Group during the period.

GUD First Half Results

The consolidated net profit for the six months ended 31 December 2017 attributable to the shareholders of GUD Holdings Limited after providing for income tax was \$28.374 million (2016: \$17.670 million).

Segmental Results

Segmental results for the six months ended 31 December 2017 are set out in note 3 to the financial statements.

Dividends

On 31 January 2018, the Board of Directors declared a fully franked interim dividend in respect of the 2018 financial year of 24 cents per share. The record date for the dividend is 14 February 2018 and the dividend will be paid on 2 March 2018. 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 2017 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 dated 24 March 2016 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.



M G Smith
Chairman of Directors



J P Ling
Managing Director

Melbourne, 31 January 2018

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Condensed Consolidated Income Statement

For the Six Months Ended 31 December		2017	2016 [^]
	Note	\$'000	Restated \$'000
Revenue		194,713	176,142
Cost of goods sold		(98,616)	(87,717)
Gross Profit		96,097	88,425
Other income		78	58
Marketing and selling		(25,750)	(24,523)
Product development and sourcing		(5,916)	(822)
Logistics expenses and outward freight		(10,178)	(15,699)
Administration		(14,239)	(11,595)
Other expenses, including impairment		(187)	(136)
Results from operating activities		39,905	35,708
Net finance expense		(4,278)	(4,492)
Profit before tax		35,627	31,216
Income tax expense		(9,778)	(8,955)
Profit		25,849	22,261
Profit/(Loss) from discontinued operations, net of tax	3	2,525	(4,591)
Profit from operations, net of income tax		28,374	17,670
Non-controlling interests		-	-
Profit attributable to owners of the Company		28,374	17,670
Earnings per share from continuing operations:			
Basic earnings per share (cents per share)	2	30.0	26.0
Diluted earnings per share (cents per share)	2	29.8	25.7
Earnings per share from discontinued operations:			
Basic earnings per share (cents per share)	2	2.9	(5.4)
Diluted earnings per share (cents per share)	2	2.9	(5.3)

[^] Prior period comparatives have been restated to be consistent with current period for discontinued operations (refer note 11).

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	2017	2016
Note	\$'000	\$'000
Profit for the period	28,374	17,670
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss		
Exchange differences on translating results of foreign operations	168	(336)
Net fair value adjustments recognised in the hedging reserve	1,019	4,884
Net change in fair value of cash flow hedges transferred to inventory	(7)	69
Transfers within equity on disposal	-	618
Equity settled share based payment transactions	967	831
Income tax on items that may be reclassified subsequently to profit or loss	(346)	(1,486)
Items reclassified to profit and loss		
Reclassification of profit on loss of control	-	(3,284)
Reclassification of tax on loss of control	-	2,443
Other comprehensive income for the period, net of tax	1,801	3,739
Total comprehensive income for the period	30,175	21,409
Non-controlling interests	-	-
Total comprehensive income attributable to owners of the Company	30,175	21,409

All of 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		31 December 2017	30 June 2017
	Note	\$'000	\$'000
Current assets			
Cash and cash equivalents		12,177	10,238
Trade and other receivables		92,679	91,970
Inventories		93,193	93,080
Derivative assets	7	297	15
Other financial assets	7	516	3,182
Current tax receivable		190	58
Other assets		3,955	4,008
Assets held for sale	11	42,216	-
Total current assets		245,223	202,551
Non-current assets			
Goodwill	4	124,963	119,438
Other intangible assets	5	112,511	118,099
Property, plant and equipment		11,535	13,075
Derivative assets	7	28	48
Other financial assets	7	1,542	1,800
Deferred tax assets		6,886	6,284
Investments		183	3
Total non-current assets		257,648	258,747
Total assets		502,871	461,298
Current liabilities			
Trade and other payables		48,112	55,311
Provisions		12,455	14,024
Borrowings	6	15,082	15,092
Derivative liabilities	7	187	878
Other financial liabilities	7	4,552	6,075
Current tax payables		8,309	9,485
Liabilities held for sale	11	9,981	-
Total current liabilities		98,678	100,865
Non-current liabilities			
Provisions		2,024	1,931
Borrowings	6	191,296	155,957
Derivative liabilities	7	1,296	1,525
Other non-current liabilities		34	106
Total non-current liabilities		194,650	159,519
Total liabilities		293,328	260,384
Net assets		209,543	200,914
Equity			
Share Capital	8	112,880	112,880
Reserves		7,391	26,591
Retained earnings		89,272	61,443
Total equity attributable to owners of the Company		209,543	200,914
Non-controlling interests		-	-
Total equity		209,543	200,914

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	2017 \$'000	2016 \$'000
Balance at the beginning of the period		200,914	274,641
Comprehensive Income			
Profit for the period attributable to owners of the Company		28,374	17,670
Other Comprehensive Income attributable to owners of the Company		834	2,908
Equity settled share based payment transactions		967	831
Total Comprehensive Income attributable to owners of the Company		30,175	21,409
Transactions with owners recognised in equity			
Dividends paid	9	(21,546)	(19,707)
Total transactions with owners		(21,546)	(19,707)
Non-controlling interests			
Derecognition of non-controlling interests with loss of control		-	(31,511)
Total non-controlling interests		-	(31,511)
Balance at the end of the period		209,543	244,832

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	2017 \$'000	2016 \$'000
Cash flows from operating activities			
Receipts from customers		227,247	325,070
Payments to suppliers and employees		(192,755)	(297,080)
Income taxes paid		(13,896)	(13,001)
Net cash provided by operating activities		20,596	14,989
Cash flows from investing activities			
Payments for intangible assets and product development costs		-	(12)
Payments for property, plant and equipment		(1,313)	(2,194)
Proceeds on sale of property, plant and equipment		96	126
Acquisition of subsidiary, net of cash acquired		(23,039)	(27,323)
Disposal of discontinued operation, net of cash disposed of		-	37,715
Net cash (used in)/provided by investing activities		(24,256)	8,312
Cash flows from financing activities			
Proceeds of borrowings		44,853	67,203
Repayment of borrowings		(8,808)	(69,020)
Net proceeds of loans receivable		258	2,186
Interest received		52	55
Interest paid		(4,080)	(4,910)
Dividends paid	9	(21,546)	(19,707)
Net cash used in financing activities		10,729	(24,193)
Net increase in cash held		7,069	(892)
Cash and cash equivalents at the beginning of the period		10,238	19,961
Effects of exchange rate changes on the balance of cash held in foreign currencies		(715)	502
Cash and cash equivalents at the end of the period		16,592	19,571

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

1. Basis of Preparation

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

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 2017 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 cleaning products, automotive products, pumps, pool and spa systems, and water pressure systems, with operations in Australia, New Zealand, France, Spain and China (note 3).

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

Basis of Accounting

The 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 of 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 2017.

The accounting policies and methods of computation applied by the consolidated entity in these interim financial statements are the same as those applied by the consolidated entity in its financial statements for the full year ended 30 June 2017.

The condensed consolidated financial statements were authorised for issue by the Directors on 31 January 2018.

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 7)
- Other financial instruments (note 7)

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 the majority 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 2017.

1. Basis of Preparation (continued)

New standards and interpretations adopted in the year

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

New or amended standards	Summary of the requirement	Possible impact on consolidated financial statements
IFRS 9 Financial instruments	<p>IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments; Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.</p> <p>IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.</p>	<p>The Group anticipates that existing hedge relationships will qualify under AASB 9. The Group's financial risk policies and underlying hedge documentation will be updated in the second half of this financial year.</p> <p>The introduction of the expected credit loss model will impact the timing of doubtful debt provisions of the Group's Trade Receivable balances, as the model requires impairment provisions to be recognised on the likelihood of receivables going bad, which will result in earlier recognition of impairment. An internal project quantify the impact will be conducted in the second half of this financial year. As part of the impact assessment, the Group is evaluating various transition options provided in the standard.</p>
IFRS 15 Revenue from Contracts with Customers	<p>IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. It provides a five step model that applies to all customer contracts and it aims to better reflect the consideration that an entity expects to receive from customers in exchange for its goods and services.</p> <p>IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.</p>	<p>We have commenced an impact assessment project to identify the revenue streams (and associated transactions) where applying AASB 15 could result in differences in the current approach. The following topic areas were identified:</p> <ul style="list-style-type: none"> - The timing and accuracy in recognising marketing rebates and other payments in existing contracts with customers; - The recognition of returns for existing customers reflecting historic pattern rather than actual claim; and - Project income in the Davey business. <p>Moving forward, we expect to update underlying Group accounting policies, consider implementation requirements and quantify the potential impacts. As part of the impact assessment, the Group is evaluating various transition options provided in the standard.</p>
IFRS 16 Leases	<p>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 Group is currently assessing the impact of this standard.</p> <p>The application date of this standard is 1 January 2019.</p> <p>Early adoption is permitted but only in conjunction with adopting IFRS 15.</p>	<p>We have commenced a project to collate all known leases in the Group's portfolio, in order to be able to estimate the impact to key financial measures. We anticipate this project will be completed in the second half of this financial year.</p> <p>As part of the impact assessment, the Group is evaluating the various transition options provided in the standard.</p> <p>The standard will have an impact on key financial measures such as EBITDA, EBIT and net assets, due to IFRS 16 replacing straight line operating lease expenses with a depreciation charge for the lease asset and interest expense for the lease liability. The extent of the potential impact is under evaluation in parallel to a number of lease renegotiations.</p>

The Group does not plan to adopt these standards early.

Results for the Half Year

2. Earnings per share

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

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

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

For the Six Months ended 31 December	Continuing operations		Discontinued operations	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Profit for the period attributable to owners of the Company	25,849	22,261	2,525	(4,591)
	Number			
Weighted average number of ordinary shares used as the denominator for basic EPS	86,149,028	85,692,094	86,149,028	85,692,094
Effect of balance of performance rights outstanding at 31 December	657,398	899,107	657,398	899,107
Weighted average number of ordinary shares used as the denominator for diluted EPS	86,806,426	86,591,201	86,806,426	86,591,201
EPS	Cents per share		Cents per share	
Basic EPS	30.0	26.0	2.9	(5.4)
Diluted EPS	29.8	25.7	2.9	(5.3)

3. Segment information

Segment reporting is presented in respect of the Group's business and geographical segments. The primary format of business segments are 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

The Automotive segment distributes automotive and heavy duty filters for cars, trucks, agricultural and mining equipment, fuel pumps and associated products, lighting and electrical accessories, battery maintenance and power products for the automotive after-market.

Davey

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

Discontinued operations

Discontinued operations consists of the Oates business. As announced on 6 November 2017, the Group has entered into an agreement to sell this business to Freudentberg Household Products Pty Ltd. Refer to Note 13 for further details.

The profit and loss relating to discontinued operations for the prior period also included the impact of the sale of the Dexion business (sold 1 June 2017) and the sale of Lock Focus (sold 30 November 2016).

Geographical segments

The Group operates primarily in one geographical segment: Australasia.



3. 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 and impairment 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)
Share of profit of equity-accounted investees	-	-	-	-	-	-
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
Segment goodwill	89,531	35,432	-	124,963	5,166	130,129
Segment brand names	103,375	3,215	-	106,590	8,900	115,490
Segment customer relationships	4,219	-	-	4,219	-	4,219
Segment other assets	159,161	68,888	(3,425)	224,624	28,409	253,033
Segment assets	356,286	107,535	(3,425)	460,396	42,475	502,871
Segment liabilities	43,577	18,363	221,300	283,240	10,088	293,328
Segment capital expenditure	696	553	9	1,258	59	1,317



3. Segment information (continued)

As at and for the six months ended 31 December 2016

	Automotive	Davey	Unallocated	Continuing operations	Discontinued operations ¹	Total
Business segments	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total segment revenue (external)	124,885	51,262	(5)	176,142	119,646	295,788
Underlying EBITDA	36,526	4,920	(4,376)	37,070	5,298	42,368
Less: Depreciation	(629)	(552)	(1)	(1,182)	(1,635)	(2,817)
Less: Amortisation of intangibles	-	(44)	(46)	(90)	(188)	(278)
Underlying EBIT	35,897	4,324	(4,423)	35,798	3,475	39,273
Transaction costs	(90)	-	-	(90)	-	(90)
Loss on sale of subsidiaries	-	-	-	-	(6,116)	(6,116)
Restructuring	-	-	-	-	(2,504)	(2,504)
Total significant items	-	-	-	-	(8,620)	(8,710)
Segment result (EBIT)	35,807	4,324	(4,423)	35,708	(5,145)	30,563
Net finance costs	639	(81)	(5,050)	(4,492)	193	(4,299)
Share of loss of equity-accounted investees	-	-	-	-	3,993	3,993
Profit before tax	36,446	4,243	(9,473)	31,216	(959)	30,257
Tax expense	(10,574)	(1,238)	2,857	(8,955)	(3,632)	(12,587)
Profit	25,872	3,005	(6,616)	22,261	(4,591)	17,670
Non-controlling interest	-	-	-	-	-	-
Profit attributable to owners of the Company	25,872	3,005	(6,616)	22,261	(4,591)	17,670

As at and for the year ended 30 June 2017

Segment goodwill	78,636	35,636	-	114,272	5,166	119,438
Segment brand names	99,682	3,215	-	102,897	8,900	111,797
Segment customer relationships	4,219	-	-	4,219	-	4,219
Segment other assets	136,907	62,260	(1,347)	197,820	28,024	225,844
Segment assets	319,444	101,111	(1,347)	419,208	42,090	461,298
Segment liabilities	42,659	16,239	189,563	248,461	11,923	260,384
Segment capital expenditure	1,783	1,262	16	3,061	2,324	5,385

1. Prior period comparatives have been restated to be consistent with current period for discontinued operations (refer note 11).

Intangible Assets

4. Goodwill

As at		31 December 2017 \$'000	30 June 2017 \$'000
	Note		
Gross carrying amount			
Balance at the beginning of the year		119,438	110,394
Reclassification of assets held for sale		(5,166)	-
Acquisitions through business combinations	10	14,545	14,371
Reclassification to other intangible assets (IMG Purchase Price Allocation)		(3,698)	-
Disposals		-	(5,300)
Net foreign currency difference arising on translation of financial statements of foreign operations		(156)	(27)
Balance at the end of the year		124,963	119,438

Refer to note 3 for allocation of the carrying amount of goodwill to segments.

5. Other intangible assets

As at		31 December 2017 \$'000	30 June 2017 \$'000
Patents, licences and distribution rights at cost		408	411
Accumulated amortisation		(273)	(272)
Net patents, licences and distribution rights		135	139
Product development costs		2,225	2,901
Accumulated amortisation		(661)	(957)
Net product development costs		1,564	1,944
Customer Relationships		4,441	4,441
Accumulated amortisation		(222)	(222)
Net customer lists		4,219	4,219
Computer software		149	145
Accumulated amortisation		(146)	(145)
Net computer software		3	-
Brand names, business names and trademarks at cost		106,590	111,797
Accumulated amortisation and impairment		-	-
Net brand names, business names and trademarks		106,590	111,797
Total other intangible assets		112,511	118,099

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

Refer to note 3 for allocation of the carrying amount of brand names to segments. Refer note 10 for intangible assets acquired through business combinations.

Capital Structure and Financing Costs

6. Borrowings

	Facilities as at 31 December 2017		Facilities as at 30 June 2017	
	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	91.5	2020	97.5	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 2017 is 4.43% (30 June 2017: 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		31 December 2017	30 June 2017
	Note	\$'000	\$'000
Current			
Unsecured bank loans		15,000	15,092
Secured finance lease liabilities ⁽¹⁾		82	-
	7	15,082	15,092
Non-current			
Unsecured bank loans		191,296	155,957
Secured finance lease liabilities ⁽¹⁾		-	-
	7	191,296	155,957

(1) Secured by the assets leased.

6. Borrowings (continued)

Financing facilities

As at	31 December 2017 \$'000	30 June 2017 \$'000
Total facilities available:		
Unsecured bank overdrafts	4,910	5,001
Unsecured bank loans	276,500	282,500
Unsecured money market facilities	5,000	5,000
	286,410	292,501
Facilities used at balance date:		
Unsecured bank overdrafts	-	-
Unsecured bank loans	206,296	171,049
	206,296	171,049
Facilities not utilised at balance date:		
Unsecured bank overdrafts	4,910	5,001
Unsecured bank loans	70,204	111,451
Unsecured money market facilities	5,000	5,000
	80,114	121,452

7. 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.



7. Financial instruments (continued)

As at 31 December 2017

	Carrying value			Fair value			
	Current	Non-current	Total	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets measured at fair value							
Derivatives - Foreign currency forward contracts	297	-	297	-	297	-	297
Derivatives - Interest rate swaps at fair value	-	28	28	-	28	-	28
Other financial assets	-	-	-	-	-	-	-
Total financial assets measured at fair value	297	28	325	-	325	-	325
Financial assets not measured at fair value							
Cash and cash equivalents ^a	12,177	-	12,177	-	-	-	-
Trade and other receivables ^a	92,679	-	92,679	-	-	-	-
Other financial assets ^a	516	1,542	2,058	-	-	-	-
Total financial assets not measured at fair value	105,372	1,542	106,914	-	-	-	-
Total financial assets	105,669	1,570	107,239	-	325	-	325
Financial liabilities measured at fair value							
Derivatives - Foreign currency forward contracts	146	-	146	-	146	-	146
Derivatives - Interest rate swaps at fair value	41	1,296	1,337	-	1,337	-	1,337
Other financial liabilities	4,552	-	4,552	-	-	4,552	4,552
Total financial liabilities measured at fair value	4,739	1,296	6,035	-	1,483	4,552	6,035
Financial liabilities not measured at fair value							
Overdraft ^a	-	-	-	-	-	-	-
Borrowings and loans ^a	15,082	191,296	206,378	-	-	-	-
Total financial liabilities not measured at fair value	15,082	191,296	206,378	-	-	-	-
Total financial liabilities	19,821	192,592	212,413	-	1,483	4,552	6,035

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



7. Financial instruments (continued)

As at 30 June 2017

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

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

7. 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 2017 \$'000	For the year ended 30 June 2017 \$'000
Opening balance	5,902	19,367
Unwinding of discount	(157)	790
Contingent consideration (paid)/payable – acquisition of 100% of Brown & Watson	-	(20,000)
Contingent consideration (paid)/payable – acquisition of 100% of GEL ANZ	(1,794)	1,794
Contingent consideration payable – acquisition of 100% of IMG	-	3,951
Closing balance	3,951	5,902

GEL ANZ exceeded earn-out targets as prescribed by the Sale and Purchase agreement, the full earn-out of NZD \$2.1m was paid in October 2017. There will be no further contingent consideration payable on GEL, the balance represents the potential earn-out on IMG.

8. Share Capital

The number of shares on issue at 31 December 2017 was 86,185,698 (31 December 2016: 85,739,547).

During the six months ended 31 December 2017:

- Nil shares were bought back on market and cancelled by the Group (31 December 2016: nil shares were bought back).
- 446,151 shares were issued to employees as a result of performance rights vesting under the GUD Holdings 2017 Long Term Incentive Equity Plan.

9. Dividends

Recognised amounts

	Cents per share	Total amount \$'000	Date of payment	Tax rate	Percentage franked
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%
Final dividend in respect of the 2016 financial year	23	19,707	2 September 2016	30%	100%
Interim dividend in respect of the 2016 financial year	20	17,065	4 March 2016	30%	100%

Unrecognised amounts

	Cents per share	Total amount \$'000	Date of payment	Tax rate	Percentage franked
Fully Paid Ordinary Shares					
Interim dividend in respect of the 2018 financial year	24	20,685	2 March 2018	30%	100%

Investments in Subsidiaries

10. Business Combination

Acquisition of AA Gasket

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 estimated consideration for the AAG Group was \$21.4 million.

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

For the six months ended 31 December 2017, the AA Group contributed \$1.41 million of revenue and \$0.153 million of EBIT to the Group's results. If the acquisition had occurred on 1 July 2017, management estimates that the AA Group would have contributed \$10 million of revenue and \$1.6 million of EBIT to the Group's results for the six months ended 31 December 2017.

Acquisition-related costs

During the period ended 31 December 2017, the Company incurred approximately \$148K 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.

	AAG ANZ
	\$'000
Trade and other receivables	3,802
Deferred tax assets	534
Inventories	3,200
Property, plant and equipment	407
Trade and other payables	(372)
Provisions	(709)
Total identifiable net assets acquired	6,862

Fair values measured on a provisional basis

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

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

Goodwill

Goodwill arising from the acquisition has been recognised as follows:

	\$'000
Total estimated consideration	21,407
Less Fair value of identifiable net assets	6,862
Goodwill	14,545

The goodwill is mainly attributable to the knowledge, skills and talent of AAG Group.

10. Business Combination (continued)

Acquisition of IMG

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:

	30 June 2017	Fair value adjustments	31 December 2017
	\$'000	\$'000	\$'000
Cash and cash equivalents	249		249
Trade and other receivables	1,066		1,066
Inventories	2,496		2,496
Property, plant and equipment	482		482
Brand names	-	3,698	3,698
Leased assets	98		98
Deferred tax assets	101		101
Trade and other payables	(1,213)		(1,213)
Income tax payable	(12)		(12)
Finance lease	(92)		(92)
Provisions	(336)	(52)	(388)
Borrowings	(376)		(376)
Total identifiable net assets acquired	<u>2,463</u>	<u>3,646</u>	<u>6,109</u>

Goodwill

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

	\$'000
Total estimated consideration	10,247
Less Subsequent adjustment to consideration	161
Less Fair value of identifiable net assets	<u>6,109</u>
Goodwill	<u>3,977</u>

11. Disposal group held for sale

Accounting policies

Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and Other Comprehensive Income is re-presented as if the operation had been discontinued from the start of the comparative year.

Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for distribution, and subsequent gains and losses on re-measurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

The transaction

On 6 November 2017, the Group signed an agreement to sell its shares in E D Oates Pty Ltd to Freudenberg Household Products Pty Ltd for an enterprise value of \$80 million with certain adjustments to net-working capital. The transaction concluded 2 January 2018 with an initial payment of \$80 million, GUD expects the working capital adjustments to be completed and settled in the balance of the current financial year. Oates meets the classification criteria of AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Disclosure

The comparative consolidated statement of profit or loss and other comprehensive income has been restated to show the discontinued operation separately from continuing operations. In addition, the comparative income statement and segment note includes as discontinued operations Sunbeam (disposed 1 July 2016), Lock Focus (disposed 1 December 2016) and Dexion (disposed 1 June 2017).

Assets and liabilities of the Oates disposal group have been reclassified to assets held for sale and liabilities held for sale, respectively.

11. Disposal group held for sale (continued)

Results of the discontinued operation - Oates

	For the six months ended 31 December 2017 \$'000	For the six months ended 31 December 2016 \$'000
Revenue	36,060	35,452
Cost of goods sold, including impairment and restructuring costs	(21,926)	(21,697)
Gross Profit	14,134	13,755
Other income	70	25
Expenses	(10,246)	(9,948)
Results from operating activities	3,958	3,832
Net finance expense	(27)	(72)
Share of loss of equity accounted investees, net of income tax	-	-
Profit before tax	3,931	3,760
Income tax expense	(1,406)	(1,149)
Profit from discontinued operations, net of income tax	2,525	2,611

Cumulative income or expenses in other comprehensive income - Oates

Cumulative income and expenses included in other comprehensive income relating to the disposal group were:

	For the six months ended 31 December 2017 \$'000	For the six months ended 31 December 2016 \$'000
Items that may be reclassified subsequently to profit or loss:		
Cash flow hedges, net change in fair value, net of tax	196	473
Cash flow hedges, fair value of cash flow hedges transferred to inventory, net of tax	11	164
Other comprehensive income from discontinued operations	207	637

Cash flows from (used in) discontinued operation - Oates

	For the six months ended 31 December 2017 \$'000	For the six months ended 31 December 2016 \$'000
Net cash from operating activities	2,742	4,013
Net cash used in investing activities	(52)	(39)
Net cash used in financing activities	(961)	(3,739)
Net cash flows for the period	1,729	235

11. Disposal group held for sale (continued)

Assets and liabilities of disposal group held for sale - Oates

At 31 December 2017, the disposal group was stated at carrying value and comprised the following assets and liabilities:

	31 December 2017
	\$'000
Cash and cash equivalents	4,415
Trade and other receivables	8,903
Inventories	12,244
Other intangible assets	14,070
Property, plant and equipment	1,324
Deferred tax assets	916
Other assets	344
Assets held for sale	42,216
Trade and other payables	(7,648)
Employee benefits	(1,954)
Deferred tax liabilities	(379)
Liabilities held for sale	(9,981)

Other Notes

12. Performance Rights

During the 2013 financial year, 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 a number of senior staff in the six months ended 31 December 2017 under the 2020 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 meetings held in July and September 2017, and a board meeting in October 2017. The grants 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	Other staff	Other staff
Grant date	26/10/2017	26/10/2017	20/09/2017	26/07/2017
Number of Performance Rights granted	52,190	5,375	9,335	230,027
Value per right at grant date	\$5.68	\$5.68	\$6.05	\$8.89
Fair value at grant date	\$296,439	\$30,530	\$56,477	\$2,044,940
Exercise price	\$0.00	\$0.00	\$0.00	\$0.00
Expected volatility	28%	28%	28%	28%
Performance rights life remaining at 31 December 2017	2.5 years	2.5 years	2.5 years	2.5 years
Expected dividend yield p.a.	6.00%	6.00%	6.00%	6.00%
Risk free interest rate p.a.	1.94%	1.94%	2.08%	1.94%

A portion of the 2018, 2019 and 2020 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

GUD divests Oates business

On 6 November 2017 the Group entered into an agreement to sell E.D Oates Pty Ltd to Freudenberg Household Products Pty Ltd for an enterprise value of \$80 million, with certain adjustments for net working capital. Completion of the transaction was subject to a number of conditions, including approval by the Australian Competition and Consumer Commission. This approval was received on 8 December 2017, and following satisfaction of the remaining conditions the transaction completed on 2 January 2018. The net proceeds received were used by the Group to repay existing financing obligations.

Dividends declared

On 31 January 2018, the Board of Directors declared a fully franked interim dividend in respect of the 2018 financial year of 24 cents per share. Record date is 14 February 2018 and the dividend will be paid on 2 March 2018

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 2017 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



M G Smith
Director



J P Ling
Director

Melbourne, 31 January 2018



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 for the half-year ended 31 December 2017 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

31 January 2018



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 2017 and of its performance for the Half-year 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 statement of financial position as at 31 December 2017
- 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 Half-year 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 half year's end or from time to time during the half-year.



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 2017 and its performance for the half-year 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

Chris Sargent
Partner

Melbourne

31 January 2018