For personal use only

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

29 Taras Avenue,
Altona North, Vic 3025
Australia.

PO Box 62
Sunshine, Vic 3020
Australia.

Telephone: +61 3 9243 3311
Facsimile: +61 3 9243 3300
Email: gudhold@gud.com.au
Internet: www.gud.com.au

31 January 2020

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

Dear Sir

Interim Results

Attached is the Appendix 4D Interim Financial Report, including Media Release, Financial Statements, Directors' Report and Declaration, and the Independent Auditor's Review Report and Declaration relating to the results for the half year ended 31 December 2019.

Today at 11.00 am, GUD will be hosting a webcast of its HY20 results briefing. To register and view the webcast, please go to www.gud.com.au/webcasts or click here.

Yours faithfully

Malcolm G Tyler
Company Secretary

Direct: +61 3 9243 3380
Email: malcolmt@gud.com.au

Attached

For personal use only

Appendix 4D
Interim Financial Report

GUD Holdings Limited
(ABN 99 004 400 891)

31 December 2019
(Previous corresponding period: 31 December 2018)

Table of Contents

For personal use only

For personal use only

Results for Announcement to the Market

For the six months ended 31 December 2019

Results from operations	$'000 As reported	% Change to prior year	
Revenue	**227,118**	**Up**	**3.3%**
Profit / (loss) from operations after tax	**26,609**	**Down**	**9.3%**
Statutory operating profit from operations before interest and tax	**43,003**	**Down**	**1.1%**
Add back: Restructuring and transaction costs, before tax	1,486		
Underlying profit from operations before interest and tax*	**44,489**	**Up**	**1.2%**
Statutory net profit from operations for the period attributable to members	**26,609**	**Down**	**9.3%**
Add back: Restructuring and transaction costs, after tax	1,040		
Underlying profit from operations after tax attributable to members*	**27,649**	**Down**	**6.8%**
Operating cash flows	**26,182**	**Up**	**369%**

Impact of implementing AASB 16 *Leases*	$'000 As reported	AASB 16 impact	Pre AASB 16*	Pre AASB 16* % Change to prior year	
Profit / (loss) from operations before tax	**37,907**	**1,273**	**39,180**	**Down**	**3.5%**
Add back interest expense	5,096	- 1,786	3,310		
Statutory operating profit from operations before interest and tax	**43,003**	**- 513**	**42,490**	**Down**	**2.3%**
Add back: Restructuring and transaction costs, before tax	1,486		1,486		
Underlying profit from operations before interest and tax*	**44,489**	**- 513**	**43,976**	**Up**	**0.1%**
Add back: Depreciation and amortisation	7,093	- 5,100	1,993		
Underlying profit from operation before interest, tax, depreciation and amortisation*	**51,582**	**- 5,613**	**45,969**	**Up**	**0.9%**

	6 months ended 31 December					
Earnings per Share (EPS) from continuing operations - Cents per share	**2019**	**AASB 16 impact**	**Pre AASB 16***	**2018**	**Pre AASB 16* % Change to prior year**	
Basic EPS	**30.7**	1.5	**32.2**	**33.9**	**Down**	**5%**
Diluted EPS	**30.5**	1.5	**32.0**	**33.7**	**Down**	**5%**
Underlying basic EPS*	**31.9**	1.5	**33.4**	**34.3**	**Down**	**3%**
Underlying diluted EPS*	**31.7**	1.5	**33.2**	**34.1**	**Down**	**3%**

Dividends	Amount per security	Percentage franked
Interim dividend	**25**	**100%**
Date the dividend is payable		**28 February 2020**
Record date for determining entitlements to the dividend		**17 February 2020**
Trading ex-dividend		**14 February 2020**
Interim Dividend		**Percentage franked**
In respect of the 2020 financial year as at 31 December 2019	**25 cents**	**100%**
In respect of the 2019 financial year as at 31 December 2018	**25 cents**	**100%**
Final Dividend		
In respect of the 2019 financial year as at 30 June 2019	**31 cents**	**100%**
In respect of the 2018 financial year as at 30 June 2018	**28 cents**	**100%**

Net debt	149,598

Net Tangible Assets (NTA)	As at 31 December 2019	2018
NTA	**28,912**	20,619
NTA per share	**0.33**	0.24

* Underlying profit after tax, underlying profit before interest and tax, underlying basic eps, underlying diluted eps and pre-AASB 16 are non-IFRS measures that have not been subject to audit or review.

This announcement 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.

For personal use only

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

29 Taras Avenue,
Altona North, Vic 3025
Australia.

PO Box 62
Sunshine, Vic 3020
Australia.

Telephone: +61 3 9243 3311
Facsimile: +61 3 9243 3300
Email: gudhold@gud.com.au
Internet: www.gud.com.au

31 January 2020

GUD Holdings Limited results for half year ended 31 December 2019

Modest organic growth and business fitness initiatives combine to offset Automotive currency headwinds and deliver an underlying EBIT (pre AASB 16) result comparable with the prior corresponding period, which is in line with Management expectations and tracking to FY20 guidance

Highlights

Financials

- Revenue up 3% on the prior corresponding period
- Underlying EBIT (Reported) up 1.2% on the prior corresponding period
- Underlying NPAT (Reported) down 6.8%, impacted by the implementation of the AASB 16 Leases Standard
- Underlying EBIT (pre AASB16) equal to the prior corresponding period
- Underlying NPAT (pre AASB 16) down 2.4%
- Fully franked dividend equal to the prior corresponding period

Business Units tracking to expectations

- Automotive pricing, currency and domestic cost inflation variables played out as expected
- Davey is continuing to improve in line with expectations

Improvement in cash flow and balance sheet

- H1 cash conversion reflects management focus
- Dividend equal to the prior corresponding period
- Refinance successfully completed on 28 January 2020

Focussed on execution of both the core business and the growth strategy

- Strong group-wide focus on business operational fitness
- Group NZ Automotive warehouse commenced successfully
- New product introductions and innovation contributed

$Million	Reported H1 FY20	Reported YoY%	AASB 16 Impact	Pre AASB 16 H1 FY20	H1 FY19	Pre AASB 16 YoY%
Revenue	227.1	3.3%	-	227.1	219.8	3.3%
Underlying EBIT	44.5	1.2%	(5.6)	44.0	43.9	0.1%
Underlying NPAT	27.6	-6.8%	(0.5)	29.0	29.7	-2.4%
Cash Conversion	84.4%	64.5%	2.0%	82.4%	51.3%	60.5%
EPS (Basic)	30.7	-9.5%	1.5	32.2	33.9	-5.1%
Underlying EPS	31.9	-7.0%	1.5	33.4	34.3	-2.6%
DPS (Interim)	25.0	0.0%	-	25.0	25.0	0.0%

Group Trading Performance

Revenue for the first half increased 3% to $227 million driven by organic growth, up from the 1% organic growth achieved in the prior corresponding period.

Reported EBIT decreased 1% to $43m and included $1.5 million of significant items, principally related to manufacturing restructuring costs within the Davey business and onerous lease costs in New Zealand.

For personal use only

Reported underlying EBIT of $44.5 million was 1% up from the $43.9 million recorded in the prior corresponding period but pre AASB 16 equalled the FY18 record H1 result.

Underlying NPAT (Reported) of $26.6 million, down 9%, included a $1.2m negative impact from AASB 16.

On a like-for-like basis, excluding AASB 16 impacts, underlying NPAT was down 2% to $29.0 million. Adjusting for a one-off tax provision release of $0.5 million in the prior corresponding period, underlying NPAT (pre AASB 16) was down less than 1%.

Cash conversion slightly exceeded 80% for the period reflecting the hard work of the business units, especially around inventory management.

Net debt was $149.6 million up $7.5 million on the prior corresponding period. As announced to the market on 28 January 2020, GUD has executed new borrowing arrangements totalling $225 million which will be available to support general corporate purposes, working capital requirements and potential acquisitions. These new debt facilities provide funding certainty, more flexible terms and cheaper total funding costs to the Group.

An interim fully franked dividend of 25 cents per share was announced, in line with the prior corresponding period and representing a payout of 81% of basic earnings per share. The dividend is payable on 28 February 2020.

Commenting on the financial results, the Managing Director Graeme Whickman said "The result is both in line with management expectations and consistent with our Investor Day remarks in October. We knew the first half would be challenging for the Automotive businesses with the impact of a weaker $AUD and domestic cost inflation balanced against the quantum and timing of our initial price increases.

The Davey business continues to improve driven by a combination of sales growth, business fitness, and product initiatives consistent with the mid-term strategy. Export activities also provided some natural hedging to a weakening $AUD.

Turning to the wider Group, I am pleased to note that we achieved the desired improvement in Net Working Capital across the Group and remain confident in the team's efforts on cost management. In addition, the market's acceptance of a second round of Automotive price increases leaves us well positioned for the second half of the financial year."

Segment Summary - for the half year to 31 December

	Revenue			Underlying EBIT Post AASB 16			Underlying EBIT Pre AASB 16		
$ million	H1 FY20	H1 FY19	% change	H1 FY20	H1 FY19	% change	2020	2019	% change
Automotive	173.6	167.6	4%	43.4	44.4	-2%	43.1	44.4	-3%
Davey	53.5	52.2	2%	4.5	4.1	10%	4.4	4.1	7%
Unallocated				(3.4)	(4.6)	-26%	(3.5)	(4.6)	-24%
Total	227.1	219.8	3%	44.5	43.9	1%	44.0	43.9	0%

Automotive Products Underlying EBIT (pre AASB 16) decreased 3% to $43.1 million

The Automotive businesses reported organic revenue growth of 4%.

Underlying EBIT (pre AASB 16) reduced by 3%, principally reflecting the impact of a weaker $AUD, domestic inflation, and a clear strategy not to recover the full impact of these cost pressures in a single round of price increases.

Wesfil once again continued its pattern of solid organic revenue growth across both traditional and new product ranges in both wear parts and other automotive parts.

Ryco Filters achieved modest revenue growth helped in part by sales in cabin air, fuel and heavy-duty filters, in line with their growth strategy. In addition, Ryco continues to introduce new products to meet the expanding range of vehicles in the car parc. Ryco's first half pricing strategy impacted both Underlying EBIT and EBIT margins and this will be ameliorated by price increases in the second half. Lastly, Ryco was proud to see its product innovation focus recognised in the AFR innovation awards as the third most innovative company (Consumer & Manufacturing goods).

BWI's sales were up slightly compared to the prior corresponding period. Although the new catalogue items sold well, elements of both reseller inventory and end user caution as well as softness in the truck and commercial related channels weighed on growth. We remain confident that BWI is positioned well for a return to growth and have not slowed our investment in new products.

BWI increased internal resources to support new product development and we anticipate an increase in BWI product tooling investments over the next 18 months to support mid-term growth.

Mr Whickman stated "The Automotive business continues to demonstrate its ability to grow top line sales through challenging periods. We have been mindful of the operating environment as we stepped into our pricing strategy for the 2020 financial year and this has created some EBIT headwinds in the first half. We have achieved price rises as well as targeted supplier and overhead cost reductions which positions the Automotive business to deliver a stronger second half."

Davey Underlying EBIT (pre AASB 16) increased 7% to $4.4 million

Davey reported revenue growth of 2% over the prior corresponding period with only a slight contribution from price rises due to competitive pressures.

That growth, combined with some restructuring initiatives, allowed Davey to achieve 7% growth in Underlying EBIT (pre AASB 16) over the prior corresponding period. During the period, Davey incurred one-off costs of $0.4 million associated with rationalising European offices and some business efficiency initiatives in Australia and New Zealand.

Davey's new pool product, Nipper, and the expanded application of Modular Water Treatment (MWT) product also achieved market recognition and acceptance. The Nipper product was instrumental in Davey being awarded global Supplier of the Year to SCP Europe, their largest global customer. Modular Water Treatment installs were completed in Medical, Dental and Piggery applications with orders secured for Resort and Municipal applications proving the broader potential of MWT beyond the initial focus on the Dairy industry. Meanwhile the Davey team has mobilised to assist with Fire relief through the donation of Davey products to help with the rebuilding of damaged water infrastructure in conjunction with regional Davey dealers.

In summarising the Davey performance, Mr Whickman commented "To see Davey achieve sales growth while its Australian heartland has experienced contraction in traditional segments has been extremely pleasing and reaffirms Davey's growth strategy with product diversification and renewal. Importantly, the business fitness and product initiatives are contributing which is evident in the Underlying EBIT growth."

Outlook

"At the beginning of the year, we signalled our expectation of sales growth generating modest Underlying EBIT (pre AASB 16) growth. As expected, we have seen EBIT headwinds in the first half driven primarily by the step change in currency and domestic cost inflation. The cost management and pricing initiatives that have already been successfully implemented which should see these headwinds abate thereby supporting our full year guidance.

We remain focussed on the business fitness, product renewal and growth strategy actions that position the Group well for profitable growth beyond the current financial period. In addition, we remain proactively engaged on pursuing logical further acquisitions of both bolt-on and substantial acquisitions focussed on the Automotive segment."

For further information:

Graeme Whickman
Managing Director
GUD Holdings Limited
T: 03 9243 3375

For personal use only

For personal use only

Directors' Report

The Directors of GUD Holdings Limited (the Company) present their report together with the consolidated financial statements for the six months ended 31 December 2019 and the audit report thereon.

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 (Managing Director)

Review of Operations

A review of the Group's operations during the six months ended 31 December 2019 and the results of these operations are set out in the attached results announcement.

Significant Changes

During the period, the company negotiated the renewal and extension of the current borrowing arrangements which will result in a change in the lending group and in the allocation of facilities between Australia and New Zealand. Continuing loans from existing financiers remain treated as "non-current" borrowings with the balance being treated as "current" borrowings at 31 December 2019. Further details on the refinancing are set out in Note 12 subsequent events, including the replacement of those borrowings classified as "current" with longer term debt in January 2020.

GUD First Half Results

The consolidated net profit for the six months ended 31 December 2019 attributable to the shareholders of GUD Holdings Limited after providing for income tax was $26.609 million (2018: $29.340 million).

Segmental Results

Segmental results for the six months ended 31 December 2019 are set out in note 4 to the financial statements.

Dividends

On 31 January 2020, the Board of Directors declared a fully franked interim dividend in respect of the 2020 financial year of 25 cents per share. The record date for the dividend is 17 February 2020 and the dividend will be paid on 28 February 2020. 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 2019 which significantly affected or may affect the operations of the consolidated entity which have not been outlined in this report.

Directors' Report

Auditor Independence

The auditor's independence declaration made under section 307C of the Corporations Act 2001 is set out on page 32 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 G Smith

M G Smith
Chairman of Directors

G Whickman
Managing Director

Melbourne, 31 January 2020

For personal use only

Condensed Consolidated Interim Financial Statements

For personal use only

For personal use only

Condensed Consolidated Income Statement

For the six months ended 31 December	Note	2019	2018^
	Note	$'000	$'000
Revenue	2	**227,118**	219,785
Cost of goods sold		**(119,538)**	(112,723)
Gross profit		**107,580**	107,062
Other income		**357**	211
Marketing and selling		**(28,550)**	(28,069)
Product development and sourcing		**(6,231)**	(5,865)
Logistics expenses and outward freight		**(12,776)**	(12,263)
Administration		**(15,659)**	(16,965)
Other expenses		**(1,718)**	(608)
Results from operating activities		**43,003**	43,503
Finance income		**91**	581
Finance cost		**(5,187)**	(3,471)
Profit before tax		**37,907**	40,613
Income tax expense		**(11,298)**	(11,273)
Profit from operations, net of income tax		**26,609**	29,340
Profit attributable to owners of the Company		**26,609**	29,340
Earnings per share from operations:			
Basic earnings per share (cents per share)	3	**30.7**	33.9
Diluted earnings per share (cents per share)	3	**30.5**	33.7

^ The Group has initially applied AASB 16 using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings (refer note 1).

The notes on pages 15 to 30 are an integral part of these condensed consolidated financial statements.

For personal use only

Condensed Consolidated Statement of Other Comprehensive Income

For the six months ended 31 December	Note	2019 $'000	2018^ $'000
Profit for the period		**26,609**	29,340
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translating results of foreign operations		**(355)**	472
Net fair value adjustments recognised in the hedging reserve		**1,153**	948
Net change in fair value of cash flow hedges transferred to inventory		**(1,489)**	(3,224)
Equity settled share based payment transactions		**704**	944
Income tax expense/(benefit) on items that may be reclassified subsequently to profit or loss		**101**	680
Other comprehensive income / (loss) for the year, net of income tax		**114**	(180)
Total comprehensive income attributable to owners of the Company		**26,723**	29,160
Total comprehensive income		**26,723**	29,160

^ The Group has initially applied AASB 16 using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings (refer note 1).

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

The notes on pages 15 to 30 are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Balance Sheet

As at	Note	31 December 2019 $'000	30 June 2019^ $'000
Current assets			
Cash and cash equivalents		**20,606**	28,850
Trade and other receivables		**112,087**	106,827
Inventories		**108,914**	108,951
Derivative assets	8	**299**	898
Other financial assets	8	**756**	756
Current tax receivable		**2**	4
Other assets		**7,909**	4,579
Total current assets		**250,573**	250,865
Non-current assets			
Goodwill	5	**125,551**	125,493
Other intangible assets	6	**124,022**	124,219
Property, plant and equipment		**15,964**	14,082
Right of use assets	13	**86,460**	-
Other financial assets	8	**5,339**	1,978
Deferred tax assets		**7,655**	7,801
Investments		**1,734**	1,734
Total non-current assets		**366,725**	275,307
Total assets		**617,298**	526,172
Current liabilities			
Trade and other payables		**60,574**	57,636
Employee benefits		**10,964**	11,164
Restructuring provisions		**-**	1,189
Warranty provisions		**693**	580
Other provisions		**104**	617
Borrowings	7	**94,830**	3,787
Lease liabilities	13	**11,045**	-
Derivative liabilities	8	**784**	247
Other financial liabilities	8	**2,427**	1,625
Current tax payable		**3,110**	9,319
Total current liabilities		**184,531**	86,164
Non-current liabilities			
Employee benefits		**1,290**	1,281
Borrowings	7	**75,350**	157,784
Lease liabilities	13	**76,711**	-
Derivative liabilities	8	**885**	1,468
Other financial liabilities	8	**-**	802
Other non-current liabilities		**46**	34
Total non-current liabilities		**154,282**	161,369
Total liabilities		**338,813**	247,533
Net assets		**278,485**	278,639
Equity			
Share Capital		**112,880**	112,880
Reserves		**10,095**	9,981
Retained earnings		**155,510**	155,778
Total equity attributable to owners of the Company		**278,485**	278,639
Total equity		**278,485**	278,639

^ The Group has initially applied AASB 16 using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings (refer note 1).

The notes on pages 15 to 30 are an integral part of these condensed consolidated financial statements.

For personal use only

For personal use only

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December	Note	2019 $'000	2018 $'000
Balance at 1 July		**278,639**	265,322
Other Comprehensive Income			
Profit for the period attributable to owners of the Company		**26,609**	29,340
Other comprehensive income attributable to owners of the Company		**(590)**	(1,124)
Equity settled share-based payment transactions		**704**	944
Total comprehensive income attributable to owners of the Company		**26,723**	29,160
Transactions with owners recognised in equity			
Dividends paid	10	**(26,877)**	(24,216)
Total transactions with owners		**(26,877)**	(24,216)
Balance at 31 December		**278,485**	270,266

^ The Group has initially applied AASB 16 using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings (refer note 1).

The amounts recognised directly in equity are net of tax.

The notes on pages 15 to 30 are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Cash Flow Statement

For the six months ended 31 December	Note	2019 $'000	2018 $'000
Cash flows from operating activities			
Receipts from customers		**244,586**	238,883
Payments to suppliers and employees		**(201,046)**	(215,508)
Income taxes paid		**(17,358)**	(17,794)
Net cash provided by operating activities		**26,182**	5,581
Cash flows from investing activities			
Acquisition of controlled entity, net of cash acquired		**-**	(23,597)
Proceeds from sale of property, plant and equipment		**29**	67
Payments for property, plant and equipment		**(3,766)**	(2,619)
Payments for intangible assets		**(36)**	(1,100)
Net cash used in investing activities		**(3,773)**	(27,249)
Cash flows from financing activities			
Proceeds from borrowings		**27,620**	25,520
Repayment of borrowings		**(19,239)**	(11,169)
Cash payments for lease liability		**(5,671)**	-
(Advance)/proceeds on other loans		**(3,361)**	148
Interest received		**82**	56
Interest paid		**(3,401)**	(3,452)
Dividends paid	10	**(26,877)**	(24,216)
Net cash used in financing activities		**(30,847)**	(13,113)
Net decrease in cash held		**(8,438)**	(34,781)
Cash at the beginning of the year		**28,850**	50,610
Effects of exchange rate changes on the balance of cash held in foreign currencies		**194**	226
Cash and cash equivalents at 31 December		**20,606**	16,055

The notes on pages 15 to 30 are an integral part of these condensed consolidated financial statements.

For personal use only

For personal use only

1. Basis of preparation

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 2019 comprises the Company and its subsidiaries (together referred to as the 'Group').

The Group is primarily involved in manufacturing, importation, distribution and sale of automotive products, pumps, pool, spa 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 2019 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*, AASB 134 and with IAS 34 *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 2019.

This is the first set of the Group's annual financial statements in which AASB 16 *Leases* has been applied. The related changes to significant accounting policies are described in Note 13.

The condensed consolidated financial statements were authorised for issue by the Directors on 31 January 2020.

Rounding off

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 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 2019, except for new significant judgements related to lessee accounting under AASB 16, which are described in Note 13. The Group has applied judgement to determine the lease term for some contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term which affects the amount of lease liabilities and right-of-use assets recognised.

For personal use only

1. Basis of preparation (continued)

Use of estimates and judgements (continued)

a. Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes the Group finance team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Chief Financial Officer.

The Group finance team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the Group finance team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of the Standards, including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the Group's Audit Committee.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 5 – Goodwill;
- Note 8 – Financial instruments; and
- Note 11 – Performance rights

New standards, interpretations and amendments adopted by the Group

Tentative Agenda Decision- Multiple Tax Consequences of Recovering an Asset (IAS 12)

Where an entity acquires significant intangible assets either with an indefinite life or finite life in a business combination, it determines the associated deferred tax consequences based on the expected manner of recovery of the carrying amount of the intangible asset.

The Group's policy in the measurement of deferred tax reflects the tax consequences that would follow from the way the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. In making this assessment, the Group considers the tax consequences of recovering assets and liabilities through sale, use and subsequent sale or through use and then abandonment or scrapping of the asset.

IFRS Interpretations Committee (IFRS IC) issued a tentative agenda decision on 26 November 2019 supporting only the dual tax base approach, which would require deferred tax liabilities to be measured as follows:

- Treat the intangible asset as having two distinct tax bases, being nil cost base for use and Capital Gains Tax cost base for disposal;
- Under this approach, a Deferred Tax Liability is recognised on the carrying amount of the intangible asset assuming usage and a potential deferred tax asset (DTA) assuming disposal; and
- The DTA is on capital account is subject to a recoverability assessment on the date of the business combination and prospectively each future reporting period

The resulting impact of the tentative agenda decision which is not yet effective would require the Group to restate its comparative statement of financial position to recognise a Deferred Tax Liabilities for acquired intangible assets in the range of $37 million to $38 million and increase goodwill arising from the business combination that gave rise to the recognition of this intangible asset by the amount of the additional Deferred Tax Liability.

For personal use only

Results for the Half Year

2. Revenue from contracts with customers

a. Disaggregation of revenue

The Group's operations and main revenue streams are those described in the last annual financial statements. The Group's revenue is derived from contracts with customers.

In the following table, revenue is disaggregated by types of goods or services, geographical markets and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments see Note 4.

	For the six months ended 31 December 2019			For the six months ended 31 December 2018		
Segments	**Automotive**	**Davey**	**Total**	**Automotive**	**Davey**	**Total**
Type of goods or services	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Sale of goods	173,606	52,904	226,510	167,556	51,297	218,853
Water solutions project income	-	608	608	-	932	932
Total Revenue from contracts with customers	**173,606**	**53,512**	**227,118**	**167,556**	**52,229**	**219,785**
Geographical markets						
Australia	155,792	44,415	200,207	151,039	43,423	194,462
New Zealand	17,814	6,805	24,619	16,517	6,863	23,380
Other	-	2,292	2,292	-	1,943	1,943
Total revenue from contracts with customers	**173,606**	**53,512**	**227,118**	**167,556**	**52,229**	**219,785**
Timing of revenue recognition						
Goods transferred at a point in time	173,606	52,904	226,510	167,556	51,297	218,853
Services transferred over time	-	608	608	-	932	932
Total Revenue from contracts with customers	**173,606**	**53,512**	**227,118**	**167,556**	**52,229**	**219,785**

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 $ 125,000 and $ 104,000 for the six months ended 31 December 2019 and 2018, respectively.

For personal use only

2. Revenue from contracts with customers (continued)

a. Disaggregation of revenue (continued)

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			
	2019		2018	
	Automotive	**Davey**	**Automotive**	**Davey**
Revenue	**$'000**	**$'000**	**$'000**	**$'000**
External customer	**194,471**	**55,781**	186,005	54,310
Rebates	**(20,865)**	**(2,269)**	(18,449)	(2,081)
Total revenue from contracts with customers	**173,606**	**53,512**	167,556	52,229

b. Contract balances

The following table provides information about receivables, contract assets and liabilities from contracts with customers.

	31 December 2019	30 June 2019
	$'000	$'000
Receivables, which are included in trade and other receivables	**-**	-
Contract Assets	**506**	883

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on water solution projects. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

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.

For the Six Months Ended 31 December	**2019**	2018
	$'000	$'000
Profit / (loss) for the period	**26,609**	29,340
	Number	Number
Weighted average number of ordinary shares used as the denominator for basic EPS	**86,683,486**	86,461,292
Effect of balance of performance rights outstanding at 30 June 2019	**643,924**	564,902
Weighted average number of ordinary shares used as the denominator for diluted EPS	**87,327,410**	87,026,194
EPS	**Cents per share**	Cents per share
Basic EPS	**30.7**	33.9
Diluted EPS	**30.5**	33.7

For personal use only

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. The Group also operates in "other" countries namely Europe and the UAE, refer note 2 for geographical sales disclosure.

4. Segment information (continued)

	As at and for the six months ended 31 December 2019			
	Automotive	Davey	Unallocated	Total
Business segments	**$'000**	**$'000**	**$'000**	**$'000**
Total segment revenue (external)	**173,606**	**53,512**	**-**	**227,118**
Underlying EBITDA pre-impairment costs	**48,053**	**6,560**	**(3,031)**	**51,582**
Less: Depreciation	(4,472)	(2,098)	(363)	(6,933)
Less: Amortisation and impairment of intangibles	(159)	-	(1)	(160)
Underlying EBIT pre-impairment costs	**43,422**	**4,462**	**(3,395)**	**44,489**
Restructuring costs	(412)	(992)	(82)	(1,486)
Segment result (EBIT)	**43,010**	**3,470**	**(3,477)**	**43,003**
Interest income	-	9	82	91
Interest expense	(1,408)	(221)	(3,558)	(5,187)
Profit / (loss) before tax	**41,602**	**3,258**	**(6,953)**	**37,907**
Tax benefit / (expense)	(12,635)	(861)	2,198	(11,298)
Profit / (loss)	**28,967**	**2,397**	**(4,755)**	**26,609**
Profit / (loss) attributable to owners of the Company	**28,967**	**2,397**	**(4,755)**	**26,609**
Segment assets	**480,238**	**125,887**	**11,173**	**617,298**
Segment liabilities	**118,120**	**30,472**	**190,221**	**338,813**
Segment capital expenditure	**2,712**	**1,017**	**37**	**3,766**

^ At 1 July 2019, the Group has initially applied AASB 16 which requires the recognition of right of use assets and lease liabilities for lease contracts that were previously classified as operating leases. As a result, the Group recognised $86.460 million right of use assets and $ 87.756 million of liabilities from those lease contracts. The assets and liabilities are included in the Automotive, Davey and Unallocated segments as at 31 December 2019. The Group has applied AASB 16 using the modified retrospective approach, under which comparative information is not restated (see note 13).

For personal use only

4. Segment information (continued)

	For the six months ended 31 December 2018			
	Automotive	Davey	Unallocated	Total
Business segments	**$'000**	**$'000**	**$'000**	**$'000**
Total segment revenue (external)	**167,556**	**52,229**	**-**	**219,785**
Underlying EBITDA pre-impairment costs	**45,496**	**4,587**	**(4,540)**	**45,543**
Less: Depreciation	(970)	(457)	(5)	(1,432)
Less: Amortisation and impairment of intangibles	(160)	-	(2)	(162)
Underlying EBIT pre-impairment costs	**44,366**	**4,130**	**(4,547)**	**43,949**
Transaction costs[1]	-	-	(26)	(26)
Integration and sale incentives	(42)	-	127	85
Davey restructuring costs	-	(505)	-	(505)
Segment result (EBIT)	**44,324**	**3,625**	**(4,446)**	**43,503**
Interest income	-	525	56	581
Interest expense	(103)	(60)	(3,308)	(3,471)
Profit / (loss) before tax	**44,221**	**4,090**	**(7,698)**	**40,613**
Tax benefit / (expense)	(13,362)	(1,103)	3,192	(11,273)
Profit / (loss)	**30,859**	**2,987**	**(4,506)**	**29,340**
Profit / (loss) attributable to owners of the Company	**30,859**	**2,987**	**(4,506)**	**29,340**
	As at and for the year ended 30 June 2019			
Segment assets	**413,516**	**110,450**	**2,206**	**526,172**
Segment liabilities	**51,894**	**20,496**	**175,143**	**247,533**
Segment capital expenditure	**3,798**	**2,452**	**39**	**6,289**

.

For personal use only

For personal use only

Intangible Assets

5. Goodwill

	31 December 2019	30 June 2019
	$'000	$'000
Gross carrying amount		
Balance at the beginning of the period	**125,493**	115,396
Acquisitions through business combinations[1]	**-**	9,604
Net foreign currency difference arising on translation of financial statements of foreign operations	**58**	493
Balance at the end of the period	**125,551**	125,493

[1] On 2 July 2018 the Company acquired 100% of the shares in Disc Brakes Australia Pty Ltd ("DBA"), this transaction resulted in the recognition of Goodwill. For further details of the DBA acquisition refer to Note 33a in the consolidated annual financial statements as at and for the year ended 30 June 2019.

6. Other intangible assets

As at	31 December 2019	30 June 2019
	$'000	$'000
Patents, licences and distribution rights at cost	**1,907**	1,876
Accumulated amortisation	**(476)**	(408)
Net patents, licences and distribution rights	**1,431**	1,468
Customer relationships	**4,441**	4,441
Accumulated amortisation	**(1,092)**	(933)
Net customer lists	**3,349**	3,508
Computer software	**149**	149
Accumulated amortisation	**(149)**	(147)
Net computer software	-	2
Brand names, business names and trademarks at cost	**119,242**	119,241
Accumulated amortisation and impairment	**-**	-
Net brand names, business names and trademarks	**119,242**	119,241
Total other intangible assets	**124,022**	124,219

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.

Capital Structure and Financing Costs

7. Borrowings

As at	31 December 2019 $'000	30 June 2019 $'000
Current		
Unsecured bank loans (1)	**94,830**	3,750
Secured finance lease liabilities (2)	**-**	37
Total current borrowings	**94,830**	3,787
Non-current		
Unsecured bank loans (1)	**75,350**	157,784
Total non-current borrowings	**75,350**	157,784

(1) During the period the company negotiated the renewal and extension of the current borrowing arrangements which will result in a change in the lending group and in the allocation of facilities between Australia and New Zealand. Borrowings from existing financiers that will remain outstanding on draw down of the revised facilities remain treated as "non-current" borrowings with the balance being treated as "current" borrowings at 31 December 2019. Further details on the refinancing are set out in Note 12 subsequent events, including the replacement of those borrowings classified as "current" with longer term debt in January 2020.

(2) Secured by the assets leased.

Unsecured bank loans

The two tranches of the unsecured bank loan in accordance with the Common Terms Deed are summarised below:

	Facilities as at 31 December 2019		Facilities as at 30 June 2019	
	Amount $ million	**Maturity (1)**	**Amount $ million**	**Maturity**
Tranche A - 5 year facility	185.0	1/07/2020	185.0	1/07/2020
Tranche B - 5 year facility	60.0	1/07/2020	60.0	1/07/2020

(1) Prior to draw down under the renegotiated facility agreements.

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 overdraft is charged at prevailing market rates. The weighted average interest rate for all overdrafts as at 31 December 2019 is 4.45% (30 June 2019: 4.45%).

For personal use only

For personal use only

7. Borrowings (continued)

Facility utilisation (continued)

As at	31 December 2019	30 June 2019
	$'000	$'000
Facilities available:		
Unsecured bank overdrafts	**4,960**	4,956
Unsecured bank loans	**245,000**	245,000
Unsecured money market facilities	**5,000**	5,000
Total facilities available	**254,960**	254,956
Facilities used at balance date:		
Unsecured bank overdrafts	**-**	165
Unsecured bank loans	**170,180**	161,534
Unsecured money market facilities	**-**	-
Total facilities used at balance date	**170,180**	161,699
Facilities not utilised at balance date:		
Unsecured bank overdrafts	**4,960**	4,791
Unsecured bank loans	**74,820**	83,466
Unsecured money market facilities	**5,000**	5,000
Total facilities not utilised at balance date	**84,780**	93,257

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.

For personal use only

8. Financial instruments (continued)

	As at 31 December 2019						
	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							
Investments	-	1,734	1,734	-	-	1,734	1,734
Derivatives - Foreign currency forward contracts	299	-	299	-	299	-	299
Other financial assets	-	719	719	-	-	719	719
Total financial assets measured at fair value	**299**	**2,453**	**2,752**	**-**	**299**	**2,453**	**2,752**
Financial assets not measured at fair value							
Cash and cash equivalents [a]	20,606	-	20,606	-	-	-	-
Trade and other receivables [a]	112,087	-	112,087	-	-	-	-
Other financial assets [a]	756	4,620	5,376	-	-	-	-
Total financial assets not measured at fair value	**133,449**	**4,620**	**138,069**	**-**	**-**	**-**	**-**
Total financial assets	**133,748**	**7,073**	**140,821**	**-**	**299**	**2,453**	**2,752**
Financial liabilities measured at fair value							
Derivatives - Foreign currency forward contracts	580	-	580	-	580	-	580
Derivatives - Interest rate swaps at fair value	204	885	1,089	-	1,089	-	1,089
Other financial liabilities	2,427	-	2,427	-	-	2,427	2,427
Total financial liabilities measured at fair value	**3,211**	**885**	**4,096**	**-**	**1,669**	**2,427**	**4,096**
Financial liabilities not measured at fair value							
Borrowings and loans [a]	94,830	75,350	170,180	-	-	-	-
Total financial liabilities not measured at fair value	**94,830**	**75,350**	**170,180**	**-**	**-**	**-**	-
Total financial liabilities	**98,041**	**76,235**	**174,276**	**-**	**1,669**	**2,427**	**4,096**

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 2019						
	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							
Investment	-	1,734	1,734	-	-	1,734	1,734
Derivatives - Foreign currency forward contracts	898	-	898	-	898	-	898
Total financial assets measured at fair value	**898**	**1,734**	**2,632**	**-**	**898**	**1,734**	**2,632**
Financial assets not measured at fair value							
Cash and cash equivalents [a]	28,850	-	28,850	-	-	-	-
Trade and other receivables [a]	106,827	-	106,827	-	-	-	-
Other financial assets	756	1,978	2,734	-	-	-	-
Total financial assets not measured at fair value	**136,433**	**1,978**	**138,411**	**-**	**-**	**-**	**-**
Total financial assets	**137,331**	**3,712**	**141,043**	**-**	**898**	**1,734**	**2,632**
Financial liabilities measured at fair value							
Derivatives - Foreign currency forward contracts	243	-	243	-	243	-	243
Derivatives - Interest rate swaps at fair value	4	1,468	1,472	-	1,472	-	1,472
Other financial liabilities	1,625	802	2,427	-	-	2,427	2,427
Total financial liabilities measured at fair value	**1,872**	**2,270**	**4,142**	**-**	**1,715**	**2,427**	**4,142**
Financial liabilities not measured at fair value							
Borrowings and loans [a]	202	161,534	161,736	-	-	-	-
Total financial liabilities not measured at fair value	**202**	**161,534**	**161,736**	**-**	**-**	**-**	**-**
Total financial liabilities	**2,074**	**163,804**	**165,878**	**-**	**1,715**	**2,427**	**4,142**

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

For personal use only

For personal use only

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 6 months ended	31 December 2019 $'000	30 June 2019 $'000
Current		
Contingent consideration payable – acquisition of 100% of IMG	**2,427**	1,625
Non-Current		
Contingent consideration payable – acquisition of 100% of IMG	**-**	802
Closing balance	**2,427**	2,427

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 2019 was 86,701,174 (31 December 2018: 86,485,972).

During the six months ended 31 December 2019:

- Nil shares were bought back on market and cancelled by the Group (31 December 2018: nil shares were bought back).
- 215,202 shares were issued to employees as a result of performance rights vesting under the GUD Holdings 2019 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 2019 financial year	31	26,811	30 August 2019	30%	100%
Interim dividend in respect of the 2019 financial year	25	21,621	1 March 2019	30%	100%
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%

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 2020 financial year	25	21,675	28 February 2020	30%	100%

For personal use only

11. 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 2019 under the 2022 Long Term Incentive Plan.

The fair value of these performance rights have 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 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	24/10/2019	25/07/2019
Number of Performance Rights granted	58,686	323,367
Value per right at grant date	$5.37	$5.41
Fair value at grant date	315,109	1,729,373
Exercise price	Zero	Zero
Expected volatility	24.00%	24.00%
Performance rights life remaining at 31 December 2019	2.5 years	2.5 years
Expected dividend yield p.a.	5.00%	5.00%
Risk free interest rate p.a.	0.70%	0.80%

A portion of the 2020, 2021 and 2022 Long Term Incentive Plans expenses have been included in the Income Statement in the current period in accordance with accounting standard AASB 2 *Share-based Payment*.

12. Subsequent events

Dividends declared

On 31 January 2020, the Board of Directors declared a fully franked interim dividend in respect of the 2020 financial year of 25 cents per share. Record date is 17 February 2020 and the dividend will be paid on 28 February 2020.

Borrowing facilities

On 28 January 2020, the company completed the refinancing under the facility agreements established during December 2019 (refer Note 7). Consequently, the borrowings classified as "current" at 31 December 2019 have now been replaced with long term debt. The new arrangements result in the existing borrowing facilities being renewed for four years and the introduction of an eight-year fixed term loan element. A summary of the expiring and new facilities follows:

	Facilities as at 31 January 2019		Facilities as at 31 December 2019	
	Amount $ million	Maturity	Amount $ million	Maturity
Bank borrowings – 5-year facility			245.0	1/07/2020
Bank Borrowings – 4 Year facility	150.0	28/01/2024		
Fixed term loan	50.0	23/01/2028		
Overdraft and short-term facilities	25.0	28/01/2021	10.0	1/7/2020
Total	225.0		255.0	

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.

For personal use only

13. Changes in significant accounting policies

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 30 June 2019.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 30 June 2020.

The Group has initially adopted AASB 16 *Leases* from 1 July 2019. A number of other new standards are effective from 1 July 2019 but they do not have a material effect on the Group's financial statements.

AASB 16 introduced a single, on balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right of use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group has applied AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under AASB 117 and related interpretations. The details of the changes in accounting policies are disclosed below.

a. Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under Interpretation 4 *Determining whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under AASB 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to AASB 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 and Interpretation 4 were not reassessed. Therefore, the definition of a lease under AASB 16 has been applied only to contracts entered into or changed on or after 1 July 2019.

At inception, or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand alone prices. However, for leases of properties in which it is a lessee, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

b. As a lessee

The Group leases many assets, including properties, motor vehicles and forklifts.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under AASB 16, the Group recognises right of use assets and lease liabilities for most leases – i.e. these leases are on balance sheet.

However, the Group has elected not to recognise right of use assets and lease liabilities for low value assets (e.g. IT equipment). The Group recognises the lease payments associated with these leases as an expense on a straight line basis over the lease term.

i. Significant accounting policies

The Group recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate at the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by the lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right of use assets recognised.

For personal use only

13. Changes in significant accounting policies (continued)

ii. Transition

Previously, the Group classified property leases as operating leases under AASB 117. These include warehouse and office premises. The leases typically run for a period of 2.5 years. Some leases include an option to renew the lease for an additional five years after the end of the non-cancellable period. Some leases provide for additional rent payments that are based on changes in local price indices.

At transition, for leases classified as operating leases under AASB 117, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 July 2019. Right of use assets are measured:

- An amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group applied this approach to all leases.

The Group used the following practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117:

- Applied the exemption not to recognise right of use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right of use asset at the date of initial application.
- Used hindsight when determining the lease term if the contracts contains options to extend or terminate the lease.

c. Impacts on financial statements

i. Impacts on transition

On transition to AASB 16, the Group recognised additional right of use assets, including property and additional lease liabilities. The impact transition is summarised below.

	1 July 2019 '000
Right of use assets	88,957
Lease liabilities	88,957

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted average rate applied is 4.24%

	1 July 2019 '000
Operating lease commitment at 30 June 2019 as disclosed in the Group's consolidated financial statements	44,649
Discounted using the incremental borrowing rate at 1 July 2019	(9,917)
Recognition of exemption for leases with less than 12 months of lease term and low value assets at transition	(421)
Extension options reasonably certain to be exercised	54,646
Lease liabilities recognised at 1 July 2019	88,957

ii. Impacts for the period

As a result of initially applying AASB 16, in relation to the leases that were previously classified as operating leases, the Group recognised $ 86.460 million of right of use assets and $ 87.756 million of lease liabilities as at 31 December 2019.

Also in relation to those leases under AASB 16, the Group has recognised depreciation and interest costs, instead of operating leases/rental expenses. During the six months ended 31 December 2019, the Group recognised $ 5.100 million of depreciation charges and $ 1.786 million of interest costs from these leases.

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 30 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 2019 and of its performance for the six months ended on that date;
  2. complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting*, the Corporations Regulations 2001 and IAS 34: *Interim Financial Reporting*; 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 G Smith

M G Smith	**G Whickman**
Chairman	**Director**

Melbourne, 31 January 2020

For personal use only

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 2019 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 2020

For personal use only

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

For personal use only

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 2019 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 statement of financial position as at 31 December 2019
- 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 on 31 December 2019.

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*
- 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.

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

For personal use only

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 2019 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 Period 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

31 January 2020