



GUD HOLDINGS ANNUAL REPORT 2005

Strategic Direction

With its unparalleled portfolio of consumer and trade brands, GUD applies its skills in manufacturing, sourcing, supply chain and brand management across both its existing businesses and acquisitions.

As the Group continues to operate a mix of manufacturing and sourcing businesses it will review its operational profile as macro economic conditions change, and will make the transformations necessary to ensure that long-term profitability is sustained and the value of its brands is not eroded.

Growth will be pursued through internal product and technology developments, new business streams and complementary acquisitions.

Management's focus on optimising returns from the capital base continues, driven by annual Cash Value Added return targets.

GUD's primary objective is to produce long-term shareholder returns above the cost of capital and to maximise the value of its brand portfolio for the benefit of shareholders.

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Annual General Meeting

The Annual General Meeting of GUD Holdings Limited will be held at the Plaza Ballroom, 191 Collins Street, Melbourne on Wednesday, 19 October 2005 at 11.00 a.m.

The Notice of Meeting containing all resolutions and a proxy form is enclosed with this Report.

Significant Results and Actions in 2004/05

- Generated the second best financial performance in history, slightly down from the record result in 2003/04.
- Annual dividend increased 25% to 50 cents per share fully franked.
- Maintained a strong balance sheet position to support future growth.
- Acquired Contamination Control, a manufacturer and supplier of water treatment products.
- Acquired distribution rights to Emjoi personal care products and the Food Saver food preserver range.
- Closed Ryco's automotive filter manufacturing in Australia and transitioned to a sourcing business.



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The Chairman's and Managing Director's Review

Following the record result in the prior year, the trading performance of the GUD Group was slightly off its peak in 2004/05. A combination of slowing consumer demand, adverse climatic conditions affecting sales of both lawnmowers and electric blankets at critical times in the year and lower vehicle servicing activity has affected the ability to grow sales.

In addition, with the greater part of the major available restructuring projects now completed, the opportunities to add substantial step-change contributions to profitability are less than they were in the late 1990s.

Nevertheless, the results in 2004/05 reflected the benefits from both prior years' restructuring and from the Group's focus on growth through internal product development activities and complementary acquisitions.

Although trading EBITA declined 5.3% in the year, a strong financial performance was generated when compared with recent results. Profit margins remained sound in all segments and the financial position, as reflected in the strength of the balance sheet, provides opportunities for future growth.



Ian Campbell
Managing Director

Clive Hall
Chairman

The highlights of the 2004/05 performance were:

- Stable sales revenue, despite tight demand conditions in most markets in which the Group competes. Most of the businesses either grew or maintained market share in tightening conditions, reflecting the strength of GUD's brands and new product introductions.
- Trading profit (EBITA) to sales ratio of 16.1%, the second best in the last five years.
- Return on capital employed of 21.8%, well above all of the last five years' returns except for 2003/04.
- The second highest Cash Valued Added (CVA) return (18.1%) since this measure was introduced as the primary performance benchmark. The CVA return has consistently exceeded the 10% cost of capital hurdle for the last four years.
- Net debt remained relatively low at 21.7% of total capital, the second lowest level in the last five years.

The GUD Group's business strategy has not fundamentally changed from that articulated in last year's Report. Specifically:

1. Each business regularly reviews its mix of manufactured and sourced product to ensure it remains cost competitive in its industry.
2. There is a strong culture of investment in new product and technology development to drive sales and margin growth.
3. Debt is minimised through firm control over capital employed, providing the flexibility to undertake acquisitions as opportunities arise.
4. Each business maintains a strong culture of tight cost control.

Deriving from the first element of this strategy, GUD announced in September 2004 that it would be ceasing the manufacture of automotive filters in Australia in early calendar 2005. GUD Automotive, the Group's business unit that supplies the market leading Ryco brand of oil, air and fuel filters to automotive aftermarkets in Australia, determined that to be able to compete in the future it needed to have access to a much lower cost product.

Continuing to manufacture automotive filters in Australia did not enable this business to generate the margins required to ensure satisfactory future returns, hence the decision was made to cease manufacturing and to source products from quality-accredited offshore suppliers.

This initiative generated an after tax charge of \$8.8 million, covering asset write-downs and personnel-related costs.

In the prior financial year the closure of the New Zealand electric blanket factory was announced and blankets for the 2005 winter were to be sourced from a manufacturing partner in China. This transfer of blanket sourcing was implemented to plan. The 2005 range of blankets was marketed with major advances in features, while both price competitiveness and adequate margins were retained.

The disappointing component of financial performance in 2004/05 was Victa. Although dry conditions affected the mower market in the first quarter of the year, the main influence on the market was the introduction of competitive, low cost mowers originating principally from China.



GUD Holdings – Share Price Performance
1 August 2000 to 10 August 2005

The Chairman's and Managing Director's Review

Although Victa had been relocated out of the high-cost Campsie factory three years ago, it became apparent that its cost base was still too high to enable it to compete at entry price point levels with lower specification, imported mowers.

To re-establish its position in the entry price segment Victa initiated a program of sourcing both components and fully-built entry level models from lower cost, offshore suppliers for the 2005/06 season. Victa will continue to support its product range with locally developed technology and will continue to assemble more fully featured models for as long as they remain cost competitive.

Victa's rapid response to changing industry conditions is a prime example of GUD's approach to constantly reviewing the 'make or buy' equation, with the aim of ensuring long-term market and financial success.

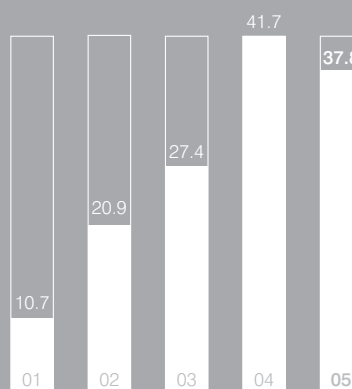
Consistent with the second aspect of the strategy, GUD continued to invest in new product activities as the primary driver of margin protection and market share growth. The primary new product launches during the year were:

- The relaunch of Victa's steel deck mower range, replacing designs that had been in the market for nearly 20 years. Under the Tornado™ label, the new steel range completes the recent redesign of Victa's entire product offerings. The launch was supported with a consumer advertising campaign, utilising outdoor signage, television and press.
- Davey commenced revamping its FireFighter™ product range, with the relaunch of the single-stage model. This product incorporates a number of technological advances and provides better performance.
- Sunbeam continued its disciplined new product development process. Exemplifying this process was the launch of Café Series toasters, featuring coloured end panels. These products have performed exceptionally well in the market, positioned at a premium price. In recognition of its design qualities the Café Series toaster was the recipient of a 2005 Australian Design Award®.

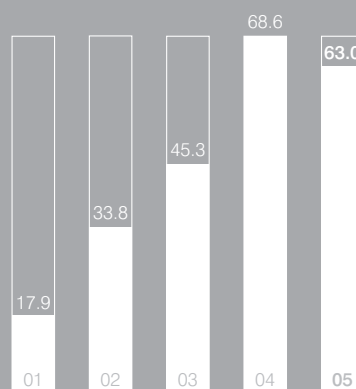
The performance of the Water Products group illustrates the combination of applying all the strategic elements outlined above. In the core Davey business, growth has been generated from an array of new products introduced over the past three years. In addition to this two acquisitions have been added – Spa-Quip in April 2004 and Contamination Control, a year later.

Both these acquisitions have product ranges and distribution channels that complement the Davey business. Both have products that can be marketed through Davey's customer networks, thus underpinning revenue growth in future years. Additionally, through combining the technical know-how from all three, this business group has an unparalleled base of technologies and applications knowledge to apply to the growing markets for water-related products.

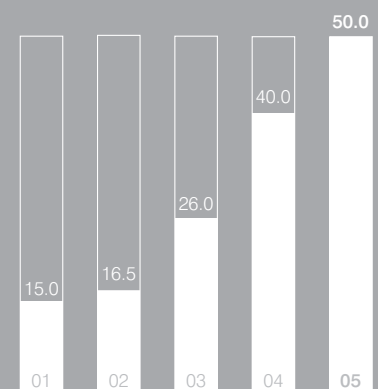
Trading profit after tax
(before significant items)
(\$ millions)



Trading earnings per share
(cents)



Dividends per share
(cents)



In addition, Sunbeam acquired distribution rights to the Emjoi range of personal care products to supplement its activities in these categories. Along with Emjoi, the rights to the Food Saver food preservation products were simultaneously acquired. When coupled with Sunbeam's products in food preservation, Food Saver positions Sunbeam as the major player in the growing food preservation market segment.

People, Health and Safety

At 30 June 2005, the GUD Group employed 938 people (last year 1,087). This figure includes 66 at Contamination Control and 56 at Spa-Quip, bringing the total New Zealand workforce to 249.

The improved safety performance continued across all businesses with the lost time injury rate again falling. Victa completed two full years without a lost time injury.

The Directors acknowledge the efforts of all employees in achieving a much improved safety performance.

Future Direction

GUD's focus is now firmly on growth. The strength of the balance sheet provides the financial platform for future acquisitions and the businesses remain active in identifying potential candidates.

After the close of the 2004/05 year the acquisition of the Oates Clean cleaning products business was announced. Oates is Australia's leading manufacturer and marketer of non-chemical cleaning products for consumer and industrial markets. It has a strong brand presence and fits within GUD's Consumer Products business.

There are substantial opportunities for GUD to apply its expertise in manufacturing, marketing and supply chain activities to improve the operating and financial performance of Oates.

The acquisition of Oates Clean, coupled with those of Spa-Quip, Contamination Control and Emjoi, are practical examples of applying GUD's criteria for growth through acquisition.

While actively pursuing this avenue, the other ingredients of the Group's strategy will remain fundamental to ongoing management of GUD's portfolio. It is through the combination of these that long-term shareholder returns will be generated.

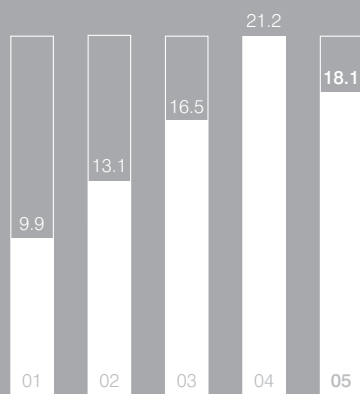


Clive Hall
Chairman



Ian Campbell
Managing Director

CVA Return
(%)



Summary of Operations



Consumer products

Sunbeam

Victa

Products	Sunbeam	Victa
Significant Events	<p>Acquired rights to Emjoi and Food Saver product ranges.</p> <p>Café Series toaster won Australian Design Award®.</p> <p>Maintained market leadership position in Australia.</p> <p>Grew market share with revamped Sunbeam Juicer.</p> <p>Maintained margin in very competitive market.</p>	<p>Launched new Tornado™ steel mower range.</p> <p>Won Power Equipment Australia award with Tornado™.</p> <p>Operated for a further full 12 months without a lost time injury.</p> <p>Won Engineering Excellence Award with Iso-Vibe™ low vibration handle.</p>
Future Direction	<p>Grow sales and margins with new products utilising new technologies and materials.</p> <p>Develop the potential for Emjoi and Food Saver within Sunbeam.</p> <p>Develop and enter new categories, where appropriate.</p> <p>Implement new business enterprise system.</p>	<p>Implement partial sourcing program to reduce product cost.</p> <p>Grow sales with recently launched new products.</p> <p>Grow exports through leveraging product differentiation.</p> <p>Grow share in the professional segment through product strategies.</p> <p>Lower cost through rationalising the product range.</p>



Automotive products

**Ryco
Wesfil
Goss**

Water products

**Davey
Spa-Quip
Contamination Control**

Security products

Lock Focus

<p>Automotive aftermarket products:</p> <ul style="list-style-type: none"> • Ryco oil, air and fuel filters • Wesfil and Cooper filters • Wix heavy duty filters • Goss fuel pumps 	<p>Pumps and water products:</p> <ul style="list-style-type: none"> • Davey water pressure systems, FireFighter™ pumps, pool pumps and filters • Celsior™ spa bath pumps • ISOspec™ irrigation pumps • RainBank™ water controllers • Spa-Quip spa pool products • Steriflo UV water disinfection • Filterpure cartridge filtration • Microlene water purifiers and coolers 	<p>Locking systems and other security products:</p> <ul style="list-style-type: none"> • Lock Focus garage door locks • Lock Focus metal furniture locks • Lock Focus caravan locking systems • Locktech safes and electronic locks • Kiroo and EMKA electrical cabinet hardware
<p>Closed filter manufacturing plant at Tottenham. Converted Ryco Australia to a full import business. Grew CVA return despite tough market conditions. Retained key housebrand contracts in New Zealand.</p>	<p>First full year's contribution from Spa-Quip – in line with expectations. Acquired Contamination Control, adding water treatment products to the portfolio. Grew the original Davey business with new products. Launched new single stage FireFighter™. Won numerous industry awards with RainBank™.</p>	<p>Experienced substantial growth with Kiroo and EMKA product ranges. Commissioned second automatic barrel building machine, contributing to lower costs. Made further market inroads with patented security bin lock.</p>
<p>Consolidate new sourcing structure in GUD Automotive. Support Ryco with targeted sales and marketing programs. Introduce new image for Ryco with revamped packaging. Evaluate further geographic expansion for Wesfil. Implement new business enterprise system in Wesfil.</p>	<p>Launch new Torrium™ pump controller and 2 stage FireFighter™ pumps. Roll out new Davey positioning 'Water Products'. Integrate Contamination Control. Launch Steriflo and Filterpure ranges in Davey's channels. Grow market share with recently launched spa pool electronic controllers.</p>	<p>Internally develop new products in response to customer needs. Seek and enter new market segments with either own-manufactured or sourced products. Further invest in automation to reduce costs and Occupational Health & Safety (OH&S) risks.</p>



Consumer Products

This business group includes Sunbeam appliances and Victa lawncare. In the 2004/05 financial year the performance from these businesses varied considerably.

Sunbeam produced a solid result in the context of a small appliance market that was subdued in the last half, compared with the prior year.

Victa experienced the first effects from low cost import competition at the entry price points, especially in the hardware channel, and suffered from low market volumes in the traditional first quarter sell-in period.

Total sales declined 4%, competition in Victa's market being the factor behind this decline. Trading profit (EBITA) declined 17%, but at 13% of sales remains a strong result in comparison with recent history.

Sunbeam

Sunbeam's performance in the 2005 financial year, although slightly behind the prior year, was creditable. Conditions in the small appliance markets became quite tough from November 2004, and most segments of the market were in decline in the second half of the year.

In particular, growth slowed in the categories that had been driving the market's expansion in recent times – coffee machines, juicers and health grills. These are, generally, higher value items and consumers had been upgrading to products with more features, hence driving faster value growth.

The market's softness occurred in spite of contrary indications that consumer sentiment remained high. It appears that that sentiment translated into strong sales of consumer products other than traditional household electrical appliances.

Nevertheless, Sunbeam performed strongly, both in the market and financially, on the basis of continual product renewal activity, incorporating technological features or improved design features. In the context of tighter market conditions and daily price pressures from competitors seeking to retain or grow market share, Sunbeam was able to improve its profit margins.

In Australia Sunbeam maintained its market leadership position, in value terms, over the year and has, through its product strategies, cemented its position as the leading small appliance brand.

The product range in the personal care categories was supplemented by the acquisition of the distribution rights to the Emjoi product range in December 2004. The addition of Emjoi enhances Sunbeam's personal care product portfolio and reinforces with the consumer and retailers that Sunbeam is a full range supplier to this product segment.

Sunbeam New Zealand reported a strong increase in sales, following a redirection of its sales strategies and activities. Reflecting its improving presence in the market the business was presented with the *NZ Housewares* magazine's Small Appliance Supplier of the Year award.

The 2004/05 year was the first in which Sunbeam sourced its complete electric blanket range from offshore, following the closure of the Palmerston North factory in late 2004. The three-way alliance that has been formed for electric blankets – Sunbeam, a manufacturing partner and a technology partner – will ensure that Sunbeam's electric blankets continue to lead Australian and New Zealand markets in technological innovation and in reliability, safety and quality, aspects that reinforce Sunbeam's brand values with consumers.

Management

Jonathan Lord – Chief Executive, Sunbeam Appliances

Christine Johnston – General Manager, Sunbeam NZ

Andrew King – Chief Executive, Victa Lawncare

Performance

	2005 \$000	2004 \$000
Sales	215,074	223,159
Segment Profit	28,474	28,549*
Segment Assets	124,481	123,824

* After individually significant items



Victa

As noted previously, the performance of Victa was the standout disappointment in the GUD Group's results in 2004/05. Despite completion of its vital product range revamp, Victa's sales were impacted by the introduction of low cost imported mowers.

The full effect of this competitive activity was not apparent until well into the second quarter of the year, when the market started to recover following good rains in key market areas. Low cost products grew the total market and, due to their competitive pricing, effectively eradicated the market for second-hand mowers, which is a considerable source of income for independent dealers and for Victa through sales of spare parts.

With the continuing strength of the Australian dollar resulting in no respite from low cost competitors, Victa reviewed its strategy and embarked upon a program to reduce its product cost, while preserving Victa's quality and technology edge. This program entails sourcing components from lower cost, offshore suppliers to drive down the cost of mowers assembled by Victa in Australia. It also involves sourcing a complete finished product to be marketed by Victa in the entry price point segment. These initiatives will be in place during the 2005/06 mowing season.

During the year Victa completed the final piece of its product revamp program. This program commenced four years ago and has involved the complete redesign and re-tooling of the aluminium alloy and steel platforms for the domestic mower range. Alloy models were launched last year and steel followed in the 2004/05 year. The steel model was launched under the Tornado™ label and was awarded the 2004 *Power Equipment Australia* magazine's recognition for the domestic product of the year.

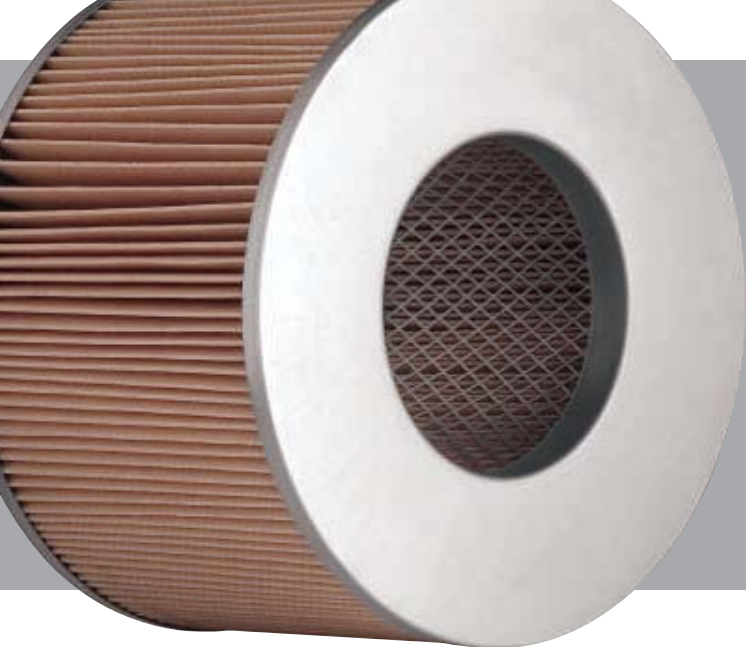
During this time Victa also developed an innovative, low vibration handle for commercial customers in the UK, in response to a specific customer need. The Iso-Vibe™ vibration isolation system won a high commendation in the 2004 Australian Engineering Excellence Awards.

Oates

Although not part of the GUD Group during the 2004/05 financial year, the acquisition of E D Oates Pty Ltd on 1 July 2005 represents a substantial addition to the Consumer Products segment. Oates was acquired for \$35 million, plus \$4 million for working capital funding, and it is expected to contribute \$65 million to sales and an EBIT of \$6 million in the current financial year.

Oates Clean is a strong, leading brand with distribution through major grocery, mass merchant and specialised, commercial cleaning products distributors. It is also the Australian distributor of the market-leading Bissell carpet care product range.

GUD's opportunity with Oates is to add value through its manufacturing, supply chain and marketing expertise. Oates has the potential to deliver solid growth through range expansion and acquisitions.



Automotive Products

Conditions in automotive aftermarkets in Australia and New Zealand continued to be intensely competitive during 2004/05. In addition demand for service parts, including filters, appears to have weakened in both markets as the effects of buoyant new car sales, high petrol prices and longer servicing intervals became apparent.

Imports continued to grow share in both markets and placed pressure on price points across all filter categories.

In an environment of continued strength of the Australian dollar and the resultant competitive challenges, it was determined that GUD Automotive, the Ryco Australia business, could not continue to operate viably in the long term as a local manufacturer. Consequently, the business was converted fully to an import sourcing operation. In the previous financial year GUD Automotive implemented a partial sourcing program, covering approximately 50% of its product range.

The conversion of Ryco Australia to a full import business mirrors the strategy adopted in Sunbeam in the late 1990s and finalised with the relocation of electric blanket manufacturing.

The final facets of Ryco Australia's transition, following the partial move in 2003/04, encompassed the closure of the Tottenham oil and air filter manufacturing lines, the identification of suitably qualified, cost-competitive manufacturers and the establishment of product quality assurance processes with the chosen suppliers, to ensure that all products meet Ryco's technical specifications.

The cost of this transition was reflected in the \$12.6 million pre-tax (\$8.8 million after tax) restructuring charge, disclosed as an individually significant item in the annual accounts. The transition was effected smoothly, consistent with similar projects in other GUD businesses over the last five years.

On a trading basis, the Automotive Products segment results were affected by the soft market conditions, with sales 9% down on the prior year. However, reflecting the partial move to offshore sourcing in Ryco Australia in the prior year and margin improvement in Wesfil, profit margins in the Automotive segment improved to their highest levels in the past four years.

This result illustrates the effect of the partial transitioning, continued tight cost controls and the benefits of managing a portfolio of market-leading brands – Ryco, Wesfil and Goss.

The Automotive Products segment delivered an improved CVA return compared with the prior year, a commendable achievement in a tough trading environment.

Ryco Australia and New Zealand

Conditions in automotive aftermarkets in both Australia and New Zealand remained challenging during the year. In New Zealand, especially, the local market has been sluggish and Ryco New Zealand has been affected by this and by slowing intercompany demand from Ryco Australia, which it supplies with a range of part numbers.

The aftermarket industry continues to undergo restructuring and rationalisation. The independent reseller segment is slowly disappearing as large national or major regional wholesalers acquire and consolidate these businesses.

This activity inevitably leads to rationalisation of inventories in the distribution channels which, when coupled with weak servicing demand, has a multiplier effect on orders placed on filter suppliers.

In conjunction with its initiatives to ensure cost competitiveness, Ryco's market strategy has been to reinforce its technical advantage over lower quality, imported products, as well as establishing pull-through demand by being the filter of choice in major automotive servicing chains. Ryco is now the preferred filter used by

Management

Robert Pattison – *Chief Executive, GUD Automotive Pty Ltd*

Terry Cooper – *Managing Director, Wesfil Australia Pty Ltd*

Chris Wood – *Managing Director, GUD (NZ) Limited*

Arthur Williams – *General Manager, Goss Products Pty Ltd*

Performance

	2005 \$000	2004 \$000
Sales	78,654	86,016
Segment Profit	4,950*	15,489*
Segment Assets	38,513	50,931

* After individually significant items

both Kmart Tyre and Auto Services and Ultra Tune, a recognition of the brand's quality and its heritage with mechanics.

In New Zealand, where import competition has been aggressive, the Ryco business was successful in an anti-dumping case it launched against filters imported from China, Korea, Thailand and Indonesia. This led to substantial duties being imposed on filters from those sources and supports Ryco New Zealand's local competitiveness on a level playing field.

The benefits of a local presence, cost focus and quality manufacturing processes led to Ryco New Zealand being successful in retaining contracts to supply both a major housebrand and a price-positioned oil filter brand into the local aftermarket. Coupled with manufacturing the market-leading Ryco brand, these supply contracts underpin manufacturing activity at Ryco New Zealand for the foreseeable future.

Wesfil

Wesfil is the Automotive Products business unit that supplies independent resellers with a range of imported filters and other service parts, including wiper blades, brake parts and automotive lighting.

Wesfil completed a national distribution network in the prior financial year with the acquisition of its Queensland distributor. The 2004/05 year represented the first full year's contribution of this as a fully owned branch. During the year the operation was relocated to more suitable premises in South Eastern Queensland, providing this branch with the opportunity to grow through improved customer service.

With its capital city branch network completed, Wesfil evaluated opportunities to extend its business model into regional areas. The first of these regional expansions occurred in Townsville in July 2005. Other opportunities to grow the branch network are being assessed.

Goss

Goss, the niche marketer of both mechanical and electrical automotive fuel pumps and associated fuel systems products, experienced similar market conditions as the automotive filter businesses. Goss suffered from new, low cost import competition and implemented a sourcing program to counter this threat to its market share.

Although a small operating unit in the Automotive Products segment, Goss has been a consistent contributor to the segment's results.



Management

David Cleland – *Managing Director, Davey Products Pty Ltd*
 Cyril Marychurch – *Manager, Davey Products NZ Limited*
 Peter Ranyard – *General Manager, Spa-Quip Limited NZ*
 Hylton Jones – *General Manager, Contamination Control Limited NZ*

Performance

	2005 \$000	2004 \$000
Sales	88,198	72,759
Segment Profit	10,412	8,250
Segment Assets	63,802	56,545

Water Products

The solid growth in both sales and profitability in the Water Products segment is the result of a combination of new products driving growth in the principal Davey business and recent acquisition activity.

2004/05 is the first full year in which Spa-Quip contributed to financial results. This business, which is a manufacturer of spa products, such as controllers, heaters, blowers, pumps and filters, was acquired in April 2004. Spa-Quip's results in 2004/05 exceeded the expectations held at the time of the acquisition. During the year following acquisition the business has undergone a number of sweeping operational improvements, driven by Davey management, with the objective of delivering better customer service and higher returns.

These initiatives have included the outsourcing of a number of manufacturing processes not considered essential to Spa-Quip's competitive position and a complete redesign of the factory layout to improve flows and efficiencies.

Additionally, consistent with GUD's corporate approach to occupational health and safety, a number of OH&S risks were identified following the acquisition and these have been addressed over the year.

Simultaneously, Spa-Quip completed a series of major product development programs resulting in the launch of two new ranges of Spa Power™ electronic controllers. These products, which have been designed following significant input from major original equipment manufacturing customers, were in development prior to Davey acquiring this business. The market response since launch has been strong.

The principal Davey water pumps and associated water products business reported a successful year of growth, largely driven by new products introduced over recent years.

The emerging market for water conservation products, propelled partly by government legislation in New South Wales and Victoria, led to substantial sales growth of Davey's RainBank™ water supply controller. Following its success in 2003/04 in accumulating industry awards, RainBank™ received further recognition in 2004/05 by being awarded Product of the Year by the *Australian Hardware Journal* and by being selected as a finalist in the HIA GreenSmart® Product of the Year Awards.

Further growth was evident in the ISOspec™ range of large cast iron pumps, principally for irrigation markets, despite the continued drought in Australia impacting the size of the irrigation market. ISOspec™ was launched in response to dealer demand and its continued sales growth indicates that it is receiving market acceptance and growing its market share.

For some years now Davey has been implementing a lean manufacturing philosophy across its operations, with the objective of retaining cost competitiveness in the global pump industry. Its efforts in this respect were recognised this year when it was inducted into the Victorian Manufacturing Hall of Fame.

The Water Products business is poised for further strong growth in 2005/06. The year will see the full annual contribution from the recently acquired Contamination Control business. Additionally, major new products have recently been presented to both domestic and international customers, and these should underpin sales and profit growth.

Management

David Cox – *Managing Director, Lock Focus Pty Ltd*

Performance

	2005 \$000	2004 \$000
Sales	13,333	13,426
Segment Profit	2,072	2,056
Segment Assets	13,807	14,073



Security Products

The Security Products business encompasses the Lock Focus, Kiroo, Locktech and EMKA product ranges. The business competes in a number of low security market segments, with a range of both manufactured and imported products.

Security Products reported a result essentially in line with the prior year, despite conditions in its end use markets being best described a 'patchy'. This business services a number of disparate market segments covering building, furniture and vehicle applications

Continued growth in the product ranges aimed at the electrical cabinet fabricating industry – Kiroo and EMKA – was the highlight for the year. Sales of these products were well ahead of the prior year. This reflects partially the decision taken in 2002 to secure the distribution rights to the German EMKA product range, to supplement the business's own Kiroo range.

Additionally, further improvements were evident in the business's operating costs, reflecting the benefits of the ongoing factory automation program. During 2004/05 a second automatic barrel building machine was commissioned, contributing to the lower direct labour cost result.

The automation program has assisted this business to respond effectively to a major shift in its demand patterns – to more frequent, smaller value orders. A primary competitive advantage is the business's ability to deliver customised product in a rapid turnaround time from placement of the order. Importers of similar product ranges cannot match this capability without holding substantial inventories. Lock Focus is still able to respond within the required customer service timeframes due to the flexibility provided by the factory's automation.

Similar to all other businesses in the GUD Group, the Security Products segment has an active new product development program. During 2004/05 the primary thrust of the program was to commercialise the unique technology, developed in-house, for document security bins. Lock Focus has developed a patented lock that allows 'wheelie' type bins to be automatically unlocked during emptying and relocked as the lid is closed, thus reducing costs for the collection company.

In seeking growth outside its traditional market segments, Lock Focus has commenced developing products for the motor body building industry. This is a segment that has not historically been served by Lock Focus, but initial indications are that substantial potential exists for tailored products for specific applications.

With the majority of the factory automation investments now completed, future profit growth in Security Products will come from new products. A substantive new product program is planned for the current financial year which, when allied with the continued benefits from automation, should underpin improved sales, profits and returns.

Finance Report

In a year of softening consumer demand, the GUD Group's concentration on working capital controls intensified. With further outsourcing of manufactured products to lower cost international sources, supply chains are longer and react more slowly to lower activity. Prior year improvements in the Group's demand forecasting and supply chain management of imported products resulted in the containment of inventory to within 1% of the June 2003 level.

In times of slower cash flows, receivables have continued to be tightly controlled and fell by 2.1% whilst sales increased marginally.

Inevitably, with order book controls, incoming shipments have reduced, resulting in payables reducing by 13.6%.

The remaining major working capital item, provisions, also reduced (by 43.6%) as payments were made for closure of the Palmerston North electric blanket manufacturing plant and completion of the Campsie environmental remediation project.

The net result of the lower payables and provisions is an increase in working capital from 17% of sales at June 2003 to 20% of sales at June 2004.

The GUD buy-back program continued with 998,661 shares acquired and cancelled, taking total buy-backs since commencement to over 8.1 million shares at an average price of \$3.11. Dividends totalling \$9.7 million have been saved as a result of the buy-backs. The Dividend Reinvestment Plan remains suspended.

For the full 2004/05 year, an interim dividend of 23 cents per share and a final dividend of 27 cents per share were declared, resulting in total dividends of 50 cents per share. This compares to 40 cents per share in 2003/04 and all dividends were fully franked. The Group has accumulated surplus franking credits which have been further increased with its acquisition of the E D Oates group in July.

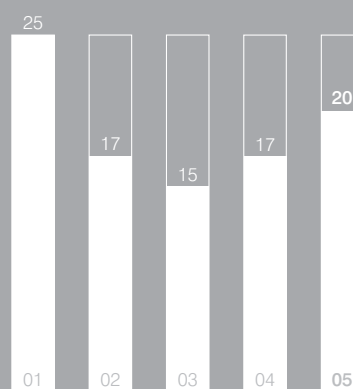
Net debt increased by \$20 million to \$37.6 million after incurring share buy-backs of \$8.1 million, acquisitions in Water Products (Contamination Control), Consumer Products (distribution rights and inventories) of \$8.7 million and cash outgoings related to restructuring and environmental remediation programs of \$9 million.

GUD's gearing ratio (net debt to total equity plus debt) increased from 11% to 21.7%, providing a strong cash position which enabled the acquisition of the Oates group for cash consideration in July.

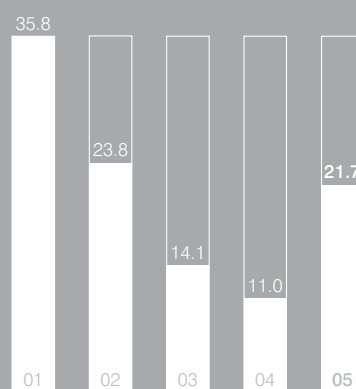
The Group's strong risk management policy in foreign exchange dealings have continued to protect the Company from adverse movements, whilst locking in significant forward coverage into the 2005/06 year in forward exchange contracts with major banks.

Measurement of Cash Value Added continues to drive operating division focus on capital management and operating profits. It is the major basis for management incentives.

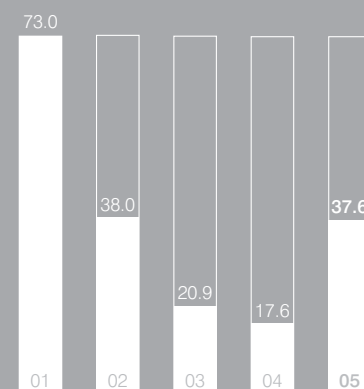
Working capital
(%)



Gearing
(%)



Net Borrowings
(\$ millions)



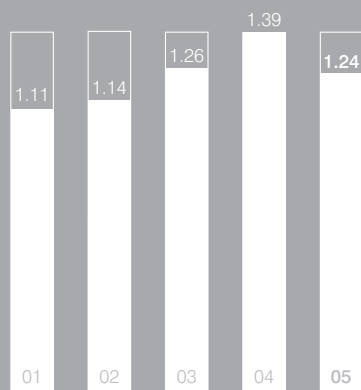
CVA Return Summary FY2001 – FY2005

	FY01	FY02	FY03	FY04	FY05
Consumer	8.1%	12.1%	14.7%	22.6%	17.8%
Automotive	12.7%	16.9%	20.8%	23.6%	26.9%
Water	13.3%	14.7%	17.8%	17.3%	15.2%
Security	6.6%	8.8%	10.0%	10.6%	9.9%
Group	9.9%	13.1%	16.5%	21.2%	18.1%

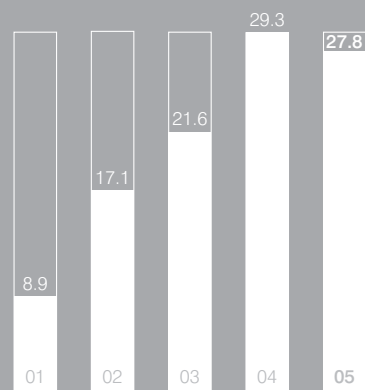
Note: Excluding individually significant items

Group CVA return exceeds weighted average cost of capital.

NTA (net tangible asset) per share
(\$)



Return on equity
(%)



Corporate Governance

GUD is committed to a high standard of corporate governance. The Directors are responsible for the corporate governance practices of the Company. This statement sets out the main corporate governance practices that operated throughout the year, unless otherwise indicated.

The Board

The Board is currently comprised of four Non-Executive Directors (including the Chairman) and two Executive Directors (the Managing Director and Finance Director). The names of the Directors of the Company and Company Secretary at the date of this statement are set out on page 24 of this Annual Report.

The Chairman and all Non-Executive Directors are independent in accordance with the definition recommended in the ASX Corporate Governance Council Guidelines, having no business or other relationship which could compromise their independence.

Directors have agreed to advise the Board, on an ongoing basis, of any interests which could potentially conflict with those of the Company.

The Board had 14 meetings during the year.

Meetings are generally held monthly with ad hoc meetings called to consider specific or urgent matters.

There were no changes in Directors during the year.

The Board strives to create shareholder value and ensures that shareholder funds are safeguarded.

To fulfill this role, the Board is concerned with:

- Approving the strategic direction for the Company.
- Overseeing the long-term performance against targets and objectives.
- Monitoring environmental and safety performance.
- Monitoring the financial performance, legal compliance and ethical standards.
- Establishing and maintaining the quality of the executive team and in particular monitoring and assessing the performance of the Managing Director.
- Assessing business risk, the adequacy of internal controls and organisation structures.
- Reporting to shareholders on the direction, governance and performance of the Company.

The Board reviews its composition and processes annually.

The Board believes the separation of the roles of Chairman and Chief Executive and the predominance of independent Non-Executive Directors are appropriate.

The Board has a Code of Conduct, which includes a procedure for dealing in Company shares, conflicts of interest, obtaining independent professional advice at the Company's expense, and full and timely access to such information necessary for Directors to discharge their responsibilities. Full details may be found on the Company's website at www.gud.com.au.

Directors

Directors are not required to hold any share qualification, but all current Directors have shares in the Company, which they acquired through the Australian Stock Exchange. The current shareholdings are shown on page 18 of this Annual Report.

Each Non-Executive Director has entered into a contract with the Company to advise the Company when any interest in any securities in the Company held by that Director changes, and to advise the Company of the Director's interest in securities at the date of retirement.

To assist the Board to maintain its understanding of the businesses and to assess the management team, Directors regularly receive detailed briefings from each member of the executive general management team during the year and visit operating locations.

Directors receive a comprehensive monthly performance report from the Managing Director whether or not a Board meeting is scheduled and have unrestricted access to Company records and information.

The Managing Director and Finance Director certify in writing that the Company's financial reports present a true and fair view in all material respects of the Company's financial condition and operating results and that they are in accordance with relevant accounting standards and the Corporations Act 2001.

In the appointment of Directors, the Board has sought advice from independent sources and undertaken independent professional searches for suitable candidates.

New Directors receive a comprehensive information pack and special briefings from management and visit key operating sites to assist them to quickly understand GUD's businesses and issues.

All Directors (except the Managing Director) are elected by shareholders at the Annual General Meeting following their appointment and thereafter are subject to re-election at least once every three years.

The Board has adopted a retirement age policy for Directors, being the conclusion of the Annual General Meeting following the Director's 68th birthday. This may be varied by the Board on an annual basis until the age of 72 years. In recent years, Non-Executive Directors have been appointed on the basis that they would not seek to serve more than 10 years. Executive Directors cease to be Directors when they cease to be executives.

Board Committees

The Board generally operates as a whole across the range of its responsibilities but to increase its effectiveness uses committees where closer attention to particular matters is required. The role of the Board Committees is to make recommendations to the Board on matters set out in each Committee's Charter.

Board Committees comprise Non-Executive Directors. A list of Committee members and their roles at 1 July 2005 was:

Audit & Compliance Committee: R M Herron (Chairman), C K Hall, P G Thomas and G D W Curlewis.

The Committee, by its Charter, assists the Board in fulfilling its responsibilities relating to accounting reporting and compliance obligations. The Committee also reviews the scope, performance and fees of the statutory auditor.

By invitation, the Managing Director, Finance Director, Company Secretary, corporate accountants and representatives of GUD's statutory auditor are present for most of the proceedings.

The Company has a formal policy on auditor independence, which is kept under review, including processes adopted by the auditor and the Company to ensure independence is maintained.

Non-audit services which may be required by the Company have been reviewed. These services have been categorised into those which the statutory auditor:

- Is permitted to provide.
- Is not permitted to provide.
- Is permitted to provide subject to Committee approval.

The Committee sought and received representations from the statutory auditor as to various matters related to its independence, compliance with applicable professional standards, restrictions on its audit process and reporting to the Committee.

The statutory auditor attends the Annual General Meeting and is available to answer shareholders' questions about the conduct of the audit and the preparation and content of the auditor's report.

Remuneration Committee: C K Hall (Chairman), P G Thomas, G D W Curlewis and R M Herron.

The Committee, by its Charter, advises the Board on remuneration policies and practices and recommendations regarding the level and form of executive remuneration and in particular that of the Managing Director and senior management reporting to the Managing Director.

By invitation, the Managing Director and Company Secretary are present for most of the proceedings.

The Remuneration Report on page 19 includes further details on the Company's remuneration policy and its relationship to performance.

Details of the remuneration of Directors and specified Executives in the year ended 30 June 2005 are set out in Note 25 on pages 51 to 54.

Nominations Committee: C K Hall (Chairman), P G Thomas, G D W Curlewis and R M Herron.

The Committee has adopted a Charter whereby its primary objective is to assist the Board in fulfilling the Board's responsibilities relating to the future tenure, size and composition of the Board including succession planning.

All members of the Committee are non-executive.

The Managing Director has the right to receive notices of all meetings and to attend and speak at such meetings.

Management

The Board has delegated responsibility for the operation and administration of the Company to the Managing Director who, with the senior management, is accountable to the Board.

The various business operations within the Group are delegated to the Divisional Chief Executives who, together with their management teams, manage the businesses within an agreed framework of strategic plans, budgets, targets, standards and policies.

Risk Management and Internal Controls

During the year the Board reviewed the Company's risk management policies and procedures.

A formal review of risks is annually carried out by each Division and the corporate office. The Company has adopted a policy of reviewing risks through a quarterly reporting process.

Decisions on financial risk management are made by a Group Financial Risk Management Committee chaired by the Finance Director that operates within established policies, procedures and limits that are regularly reviewed by the Board and external advisers. These policies prohibit speculative transactions, restrict hedging to preset limits and require senior management approval of hedging instruments.

Health and Safety

The Company has continued its emphasis on health and safety in the workplace through the Group Occupational Health and Safety Working Committee with representatives from each Division meeting monthly to review common policies and procedures and general matters relating to health and safety.

The Board receives monthly reports on occupational health and safety and reviews all incidents resulting in lost time injuries and, during the year, extended this review to medically treated injuries. Each operating unit is subject to regular health and safety inspections.

Ethical Standards and Compliance

The Company has a Code of Conduct which includes policies and standards on issues of business ethics. Full details may be found on the Company's website at www.gud.com.au.

The Board receives regular reports on legal and environmental compliance to ensure the Company complies with its legal and environmental obligations.

Corporate Governance

Political Contributions

The Company maintains a position of impartiality with respect to party politics and does not contribute funds to any political party or candidate for public office.

Communication

Directors endeavour to ensure that shareholders are regularly and fully informed of all major developments affecting the Company. The Annual Report, Interim Report and Chairman's Address at the Annual Meeting are sent to all shareholders unless requested not to.

In addition, shareholders are advised of major announcements regarding the Company.

Individual shareholders are given an opportunity to raise questions at the Annual General Meeting and there is regular dialogue with institutional investors.

The Company and each of its Divisions have a website – see details on page 69.

Documents that are released publicly are made available on the Company's website at www.gud.com.au.

Corporate Governance

The Company considers that the above corporate governance practices comply with the ASX Corporate Governance Council's Principles of Good Corporate and Best Practice Recommendation.

The Company's corporate governance framework is kept under review and changes made in response to changes to the Company's business or applicable legislation and standards.

Directors' Interests and Benefits

Directors	Own Name	Shares held beneficially 30/6/05		Total 30/06/05	Total 30/06/04
			Private Company/Trust		
C K Hall	–	70,000		70,000	60,000
G D W Curlewis	–	10,000		10,000	10,000
R M Herron	–	10,000		10,000	–
P G Thomas	–	10,000		10,000	10,000
I A Campbell	250,000			250,000	500,000
R J Wodson	60,000			60,000	60,000*

* Includes 50,000 options exercised during the year.

Directors' Attendances at Meetings

Directors	Board		Audit & Compliance Committee		Remuneration Committee		Nominations Committee	
	Held ^(a)	Attended ^(b)	Held ^(a)	Attended ^(b)	Held ^(a)	Attended ^(b)	Held ^(a)	Attended ^(b)
C K Hall	14	14	5	5	2	2	1	1
G D W Curlewis	14	14	5	5	2	2	1	1
R M Herron	14	14	5	5	2	2	1	1
P G Thomas	14	14	5	5	2	2	1	1
I A Campbell	14	14						
R J Wodson	14	14						

^(a) Meetings held whilst a member.

^(b) Meetings attended.

Remuneration Report

This Remuneration Report is prepared in accordance with the Corporations Act 2001 for the Company and the consolidated entity and forms part of the Directors' Report for the year ended 30 June 2005.

Company Performance

The graphs set out on page 4 of the Annual Report show the Company's trading profit after tax, trading earnings per share and dividends for the current year and previous four financial years.

The Company has consistently increased its dividend in each of the past four financial years. The Company share price increased steadily from 2001 until January 2005 when it declined following an announcement to the Australian Stock Exchange on trading results.

As part of the Company's capital management strategy, the Company has acquired shares through an on-market share buy-back over the past five financial years. This has reduced the number of shares on issue to 59,916,164 shares, which has had a positive effect on earnings per share.

Non-Executive Directors

Fees and payments to Non-Executive Directors reflect the demands that are made on and responsibilities of Directors in discharging their duties.

The fees paid to the Chairman and Non-Executive Directors are reviewed annually by the Board. The Board seeks advice of independent consultants to ensure fees and payments are appropriate and in line with market conditions.

The current base remuneration was last increased with effect from 1 July 2003. For the year ended 30 June 2005, Non-Executive Directors' fees were \$50,000 per annum. The Chairman received \$125,000 per annum. Mr Herron, who was appointed on 17 June 2004, does not participate in the Non-Executive Directors' Retirement Allowance and received a fee of \$65,000 per annum.

There are no additional fees paid for membership or chairing Board Committees or attendance at Committee meetings.

Non-Executive Directors' fees are determined within an aggregate Directors' fee pool approved by shareholders. The current pool of \$600,000 was last approved by shareholders at the 2004 Annual General Meeting.

In accordance with rule 37 of the Constitution, Directors are permitted to be paid additional fees for special services or exertions. No such fees were paid during the year. Directors are also entitled to be reimbursed for all business-related expenses, including travel on Company business, as may be incurred in the discharge of their duties. Such reimbursements are not included in the aggregate remuneration cap approved by shareholders.

Equity Participation

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

Each of the Directors who acquired shares in GUD during the year did so by on-market purchases through the Australian Stock Exchange.

Retirement Allowance for Directors

On 23 June 2003, the Board resolved to cease offering retirement allowances for Non-Executive Directors appointed after that date.

The Board has determined that the base fees for Directors appointed after 23 June 2003 should be increased to reflect the fact that retirement allowances are no longer payable for new Directors.

The three Non-Executive Directors who were appointed prior to June 2003 (Messrs Hall, Thomas and Curlewis) continue to be eligible to receive retirement allowances under an agreement entered into at the date of their appointment.

The retirement allowance for participating Non-Executive Directors is based on the following:

After completing two years' service, retiring Non-Executive Directors are entitled to a retirement allowance according to a formula approved by shareholders in 1993 calculated by length of service of the retiring Director.

The maximum retirement benefit is paid for more than five years' service, being an amount equal to:

- (a) the emoluments paid to the Directors in the three years immediately preceding his or her retirement, termination or death; plus
- (b) for each year or part of a year of service exceeding five years, 5% of the amount referred to in (a).

An amount equal to the cost of providing the allowance to each Non-Executive Director is disclosed in Note 25 to the financial statements on pages 51 to 54.

Superannuation Guarantee

GUD pays the superannuation guarantee charge in relation to its eligible Non-Executive Directors.

Details of the nature and amount of each element of the remuneration of Non-Executive Directors for the year ended 30 June 2005 are set out in Note 25 to the financial statements on pages 51 to 54.

Executive Directors and Senior Management

The objective of GUD's Executive reward program is to ensure reward for performance is competitive and appropriate for the results delivered.

The framework provides a mix of fixed and variable remuneration and a blend of short-term and long-term incentives. Most senior executives have a high proportion of 'at risk' rewards.

All executive remuneration is reviewed by the Remuneration Committee as part of an annual review that considers performance-related elements, comparative remuneration and independent advice.

The aim is to be competitive in the marketplace and to provide significant potential for short-term and long-term incentive rewards based on Company, business unit and individual performance.

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

Remuneration Report

The executive pay and reward framework has three components:

- fixed remuneration;
- short-term performance incentives; and
- long-term equity linked performance incentives.

The combination of these comprises the executives' total remuneration.

The amount of remuneration paid to Executive Directors and the five highest paid Executives of the Group is set out in Note 25 to the financial statements on pages 51 to 54.

Fixed Remuneration

This package is a fixed amount and is not performance linked. It generally consists of salary and vehicle entitlement.

Under the terms of employment, executive management are offered a competitive base package that reflects the fixed components of pay and rewards. Independent consultants provide analysis and advice to ensure the package is competitive in the market for comparable roles. Package levels are reviewed annually by the Remuneration Committee and not adjusted during the year unless the executive is promoted or there is a substantial change in market rates.

Performance linked remuneration

Performance linked remuneration includes both short-term and long-term incentives and is designed to reward executives for the Company meeting or exceeding financial and equity performance. Both the short-term and long-term incentives are provided in the form of cash and are 'at risk' bonuses.

Short-Term Incentives (STI)

GUD's STI scheme is based on meeting or exceeding an agreed Cash Value Added (CVA) target and paid following the announcement of the Group's year-end results. The CVA target is established each year by the Board. CVA measures the return on unamortised net assets invested.

CVA has been effective because it is the measurement that most closely aligns profit performance with net assets invested.

The STI reflects a percentage of base salary and increases upon exceeding the agreed CVA target up to a ceiling of 150% of the base CVA incentive rate upon achieving 120% of the CVA target.

No STI is paid where CVA falls below the CVA target level.

The target percentage of base pay varies from 50% for the Managing Director to 10% for divisional executives.

Long-Term Incentives (LTI)

The LTI is designed to align executive financial rewards with those of shareholders by use of an equity-based incentive using total shareholder returns (TSR) of a comparator group.

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

LTI based on TSR is provided as a cash reward subject to satisfying specific performance tests consisting of three tranches covering a rolling three-year period.

An incentive is paid where GUD's TSR are equal to or exceed the median of the comparator group ranked by TSR. The incentive increases up to a maximum of 150% of the target upon the Company equalling or achieving TSR greater than the 75th percentile of the comparator group.

The comparator group is the Standard & Poor's ASX Small Ordinaries index of which GUD forms part and was chosen as the most effective way to measure and reward the extent to which shareholder returns are generated relative to the performance of companies which compete for capital and employees.

The LTIs vest in accordance with the following table:

TSR Target	% of LTIs that vest in a given period
TSR below 50th percentile	Nil
TSR at 50th percentile	100%
TSR between 50 and 74th percentile	Progressive vesting from 100% to 150% percentile
TSR at 75th percentile and above	150%

The target percentage of base pay varies from 63% for the Managing Director to 15% for corporate and divisional executives.

On resignation of employment of an executive, only the vested amount is due as an LTI whereas the Board in cases of retirement, retrenchment, total disablement and death may pay a pro rata LTI in accordance with TSR performance at the cessation of employment date.

The Remuneration Committee considers that the above equity performance linked remuneration structure is appropriate as executives only receive a benefit where there is a corresponding direct benefit to shareholders.

Current Year Performance

In the current year the consolidated entity failed to reach its CVA target and as a result executives, including the Managing Director and Finance Director whose STIs were based on the performance of the consolidated entity, did not receive any bonus. Executives of the Sunbeam and GUD Automotive Divisions achieved bonuses based on achieving or exceeding the Divisional CVA performance.

LTIs were achieved for the three-year and two-year TSR performance but not for the one-year performance.

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

1 July 2004 to 30 June 2005	21.43th percentile
1 July 2003 to 30 June 2005	59.40th percentile
1 July 2002 to 30 June 2005	87.60th percentile

Employment Contracts

The Managing Director (Ian A Campbell) and Finance Director (Roger J Wodson) have entered into service contracts with the Company.

In the case of the Managing Director, the contract was renewed on 2 February 2005 for a period of 12 months from 1 July 2005, and in the case of the Finance Director for a period of 24 months from 1 July 2005. These contracts may be terminated by either party giving three months' notice or such other mutually agreed period of notice, in writing.

Under certain termination circumstances the balance of the contract is payable or not less than the total annual package, whichever is the larger.

In the event the Company determines not to renew the appointment, an amount equal to the total annual package applicable at the date of the notice is payable.

Select senior executives have contracts with the Company to work for a period of time in exchange for a retention incentive or termination payment not exceeding one year's annual package.

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

All executives and employees in New Zealand have written contracts in compliance with recent New Zealand legislative requirements.

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

Directors and Executives

Details of the benefits paid or provided to Directors and specified Executives are included in Note 25 to the financial statements on pages 51 to 54.

Directors' Report

The Directors of GUD Holdings Limited (the Company) present their Report on the consolidated entity, being the Company and its controlled entities, for the year ended 30 June 2005.

Review of Operations and Results

A review of the operations of the consolidated entity during the financial year and the results of those operations are set out on pages 2 to 15 of this Annual Report.

Significant Changes

In the opinion of the Directors, other than referred herein, there were no significant changes in the state of affairs of the consolidated entity during the year.

Principal Activities

The principal activities of the consolidated entity during the course of the financial year were the manufacture, distribution and sale of household appliances and lawnmowers, automotive filters and automotive products, locking devices, pumps and water pressure systems with operations in Australia and New Zealand.

There were no significant changes in the nature of the activities of the consolidated entity during the year.

Events after Balance Date

Dividend Announcement

On 27 July 2005, the Directors declared a fully franked dividend of 27 cents per ordinary share. Shares will trade ex dividend on 22 August 2005 with the record date of 26 August 2005 and the dividend will be paid on 9 September 2005.

Acquisition

On 18 July 2005, the Directors announced the acquisition of E D Oates Holdings Pty Limited.

Likely developments in, and expected results of, the operations of the consolidated entity in subsequent years are referred to on page 5 in this Report.

The consolidated entity will continue to pursue its policy of increasing the profitability and market share of its major business sectors in the next financial year.

Further information as to likely developments in the operations of the consolidated entity would be likely to result in unreasonable prejudice to the consolidated entity and has not, therefore, been included in this Report.

Environmental Regulation

Some of the consolidated entity activities are subject to various environmental regulations under both Commonwealth and State legislation. The Directors are not aware of any breaches of those environmental regulations during the financial year. The GUD Group has endorsed an Environmental Policy of compliance and open communication on environmental issues.

During the year, Sunbeam Corporation Limited ceased to lease the Campsie site after completing remediation work to the satisfaction of the Environmental Protection Authority of New South Wales.

Dividends

During and since the end of the financial year, the following dividends have been paid or declared:

- A final ordinary dividend of 23 cents per share in respect of the year ended 30 June 2004 was declared on 28 July 2004 and paid on 10 September 2004 amounting to \$14,010,409.75. This final dividend was fully franked.
- An interim ordinary dividend of 23 cents per share in relation to the year ended 30 June 2005 was declared on 31 January 2005 and paid on 11 March 2005 amounting to \$13,900,064.72. This dividend was fully franked.
- A final ordinary dividend of 27 cents per share in respect of the year ended 30 June 2005 was declared on 27 July 2005 payable on 9 September 2005 to shareholders registered on 26 August 2005. This dividend will be fully franked.

Buy-Back of Shares

Under the terms of the Company's current buy-back as at 30 June 2005, since inception in 2001 the Company has purchased and cancelled 7,591,681 ordinary shares to date at an average price of \$3.22 per share (current year 998,661 ordinary shares at an average price of \$8.02).

Share Capital

At the 30 June 2005, there were 59,916,164 ordinary shares on issue.

Directors, Company Secretary, Directors' Meetings and Directors' Shareholdings

The names of the Directors who held office during the financial year and details of current Directors' qualifications, age, experience and special responsibilities are set out on page 24 of this Report. The qualifications and experience of the Company Secretary are also set out on page 24 of this Report.

Details of Directors' meetings and Board Committees including attendances and Directors' interests in the Company on page 18 of this Report.

Auditor Independence

There is no former partner or director of Deloitte Touche Tohmatsu, the Company's auditor, who is or was at any time during the financial year an officer of the Group.

The auditor's independence declaration made under section 307C of the Corporations Act 2001 is set out on page 65 and forms part of this Report.

Non-Audit Services

Details of the amounts paid or payable to the Company's auditors, Deloitte Touche Tohmatsu, for non-audit services provided during the year are shown in Note 28 to the financial statements.

The Directors are satisfied that the provision of such non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 in view of the materiality of the amounts and the nature of such services.

Options

No options were granted during the year and no options have been granted since the end of the financial year.

During the year, 50,000 options having satisfied the performance hurdles were exercised and ordinary shares of the same number issued to the option holder.

Derivatives and Other Financial Instruments

It is the consolidated entity's policy to use derivative financial instruments to hedge cash flows subject to interest rate, foreign exchange and commodity price risk according to a policy approved by the Board.

Derivative financial instruments are not held for speculative purposes. Exposures, including related derivative hedges, are reported to the Board on a monthly basis.

Financial facilities and operating cash flows are managed to ensure that the consolidated entity is not exposed to any adverse liquidity risks. Adequate standby facilities are maintained to provide strategic liquidity to meet cash flows in the ordinary course of business.

Proceedings on behalf of the Company

There were no proceedings brought on behalf of the Company nor any persons applying for leave under section 237 of the Corporations Act 2001 to bring proceedings on behalf of the Company.

Indemnity and Insurance

The Company has, pursuant to contractual arrangements, agreed to indemnify the current and a number of former Directors of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as a Director of the Company and its controlled entities, except where the liability arises out of conduct involving lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

The Company has also agreed to indemnify the current Directors of its controlled entities, the Company Secretary and certain executive officers for all liabilities to another person (other than the Company or a related body corporate) that may arise from their position, except where the liability arises out of conduct involving lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

Pursuant to this indemnification, the Company has paid a premium for an insurance policy for the benefit of Directors, Secretaries and executive officers of the Company and related bodies corporate of the Company. In accordance with common practice, the insurance policy prohibits disclosure of the nature of the liability covered and the amount of the premium.

The Company has not otherwise, during or since the financial year indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

Remuneration Policy for Directors and Executives

The policy for determining the nature and amount of remuneration for Directors and Executives is described in the Remuneration Report on pages 19 to 21 which forms part of this Directors' Report.

Director and Executive Benefits

Details of the benefits paid or provided to Directors and specified Executives are included in Note 25 to the financial statements.

Rounding Off

The Company is a company of the kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, 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 in accordance with a resolution of Directors made pursuant to section 298(2) of the Corporations Act 2001 on behalf of the Directors.



C K Hall
Chairman of Directors



I A Campbell
Managing Director
Dated at Melbourne 27 July 2005

Board of Directors

C K Hall*

BSc (Metallurgy), BCom, MBA, FCPA, FAICD (Age 63)

Non-Executive Director since 13 September 1999.

Appointed Chairman on 27 April 2004.

Chairman of Nominations Committee and Remuneration Committee.

Chairman of Victorian Energy Networks Corporation and the Royal Automobile Club of Victoria (RACV) Ltd. Retired as Chairman of State Trustees Limited on 1 July 2004.

Mr Hall has held senior executive positions in investment and merchant banking, including Managing Director of National Australia Ltd. between 1985 and 1993, and was Chairman of the International Banks and Securities Association between 1990 and 1992.

Formerly a Chairman of Sanford Ltd (retired May 2003).

G D W Curlewis*

BA, MBA (Age 64)

Appointed Non-Executive Director on 1 March 2003.

Former Managing Director of National Consolidated Limited. Mr Curlewis is a Director of Pacifica Group Limited, Nufarm Limited, GrainCorp Limited, Indec Consulting, Remunerator Australia Pty Limited and The Alfred Foundation.

Formerly a Director of National Foods Limited (retired June 2005) and Hamilton Island Limited (retired December 2003).

R M Herron*

FCA, FAICD (Age 55)

Appointed Non-Executive Director on 17 June 2004.

Appointed Chairman of Audit & Compliance Committee on 17 June 2004.

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

Mr Herron is also a Director of Heemskirk Consolidated Limited, Select Harvests Limited, Professional Association Superannuation Ltd and the Variety Club of Victoria Inc.

Mr Herron was a Director of National Telecoms Group Ltd from 6 July 2001 to 30 June 2003.

P G Thomas* AM

BCom (Age 63)

Appointed Non-Executive Director on 24 June 2002.

Mr Thomas is a Non-Executive Director of Pacifica Group Limited, Director of the Australian Retirement Fund and Australian Industry Group Nominees.

Mr Thomas is also the Chairman of the Victorian Learning Employment and Skills Commission.

Former Chairman of Victorian Manufacturing Industry Consultative Council (retired November 2002), Melbourne Port Corporation (retired April 2003) and a Councillor of RMIT University (retired December 2004).

Mr Thomas was formerly Managing Director of Holdens Engine Company and Executive Director of Planning and External Affairs with Holden Limited.

I A Campbell

FAICD (Age 55)

Appointed Managing Director on 5 October 1998.

Vice-President of A.I.G. (Vic.).

Former Managing Director of Pacific Dunlop Cables Group.

R J Wodson

FCPA, FAICD (Age 60)

Appointed Finance Director on 25 June 2001.

Mr Wodson was appointed Chief Financial Officer of GUD on 1 February 2000.

Former Chief Financial Officer of Bunge Defiance Group.

Company Secretary

L R Tutton

LLB, BCom, FCIS

Appointed Company Secretary on 27 March 1997.

Mr Tutton is a Fellow of Chartered Secretaries Australia and the Institute of Chartered Secretaries and Administrators and has been a Company Secretary of Listed ASX Companies for in excess of 20 years and has held a legal practising certificate in Victoria for 40 years.

* All Non-Executive Directors are independent.

Financial Statements

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Statement of Financial Performance

For the year ended 30 June 2005	Note	Consolidated		GUD Holdings Limited	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Operating revenue from ordinary activities	2(a)	395,561	395,778	45,362	31,191
Non-operating revenue from ordinary activities	2(b)	27	907	–	–
Total revenue		395,588	396,685	45,362	31,191
Cost of goods sold		(240,307)	(238,923)	–	–
Marketing and selling expenses		(43,248)	(39,653)	–	–
Research expenses		(2,502)	(2,295)	–	–
Logistics expenses and outward freight		(20,984)	(19,660)	–	–
Administration expenses		(20,487)	(20,053)	(3,932)	(4,627)
Borrowing costs	3(b)	(4,206)	(2,864)	(1,709)	(1,667)
Restructuring expenses – individually significant items					
• Relocation, restructuring and environmental remediation of Consumer Products Division	3(a)	–	(5,919)	–	–
• Restructure of Automotive Products Division	3(a)	(12,642)	(2,950)	–	–
Other expenses from ordinary activities		(8,973)	(13,076)	(388)	(388)
Profit from ordinary activities before related income tax expense		42,239	51,292	39,333	24,509
Income tax expense relating to ordinary activities	4(a)	(13,320)	(15,766)	(11,666)	(294)
Profit from ordinary activities after related income tax expense		28,919	35,526	27,667	24,215
Net profit attributable to members of GUD Holdings Limited	22	28,919	35,526	27,667	24,215
Non-owner transaction changes in equity					
Increase in foreign currency translation reserve arising on translation of self-sustaining foreign operations	19(b)	2	486	–	–
Total changes in equity from non-owner related transactions attributable to members of GUD Holdings Limited recognised directly in equity		2	486	–	–
Total changes in equity from non-owner related transactions attributable to members of GUD Holdings Limited	23	28,921	36,012	27,667	24,215
Basic earnings per share (cents per share)	33	47.79	58.46		
Diluted earnings per share (cents per share)	33	47.79	58.44		

Notes to the financial statements are annexed.

Statement of Financial Position

As at 30 June 2005	Note	Consolidated		GUD Holdings Limited	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Current assets					
Cash assets	7	23,303	29,708	473	5,285
Receivables	8	50,029	51,121	38,945	35,753
Inventories	9	67,275	66,498	–	–
Current tax assets	4(e)	–	–	–	257
Other	10	4,307	4,665	544	46
Total current assets		144,914	151,992	39,962	41,341
Non-current assets					
Other financial assets	11	–	–	101,022	101,022
Property, plant and equipment	12	27,202	36,791	14	12
Intangible assets	13	61,572	57,895	–	–
Deferred tax assets	4(d)	3,415	4,026	1,568	217
Other	14	7,946	4,038	–	–
Total non-current assets		100,135	102,750	102,604	101,251
Total assets		245,049	254,742	142,566	142,592
Current liabilities					
Payables	15	32,754	37,894	706	1,267
Interest-bearing liabilities	16(a)	29,861	27,124	10,000	10,000
Current tax liabilities	4(b)	3,819	8,564	3,716	–
Provisions	17(a)	9,405	16,661	82	363
Total current liabilities		75,839	90,243	14,504	11,630
Non-current liabilities					
Interest-bearing liabilities	16(b)	31,028	20,182	10,000	5,000
Deferred tax liabilities	4(c)	–	62	–	–
Provisions	17(b)	2,455	1,613	621	352
Total non-current liabilities		33,483	21,857	10,621	5,352
Total liabilities		109,322	112,100	25,125	16,982
Net assets		135,727	142,642	117,441	125,610
Equity					
Contributed equity	18	98,437	106,363	98,437	106,363
Reserves	19	1,370	1,368	–	–
Retained profits	22	35,920	34,911	19,004	19,247
Total equity	23	135,727	142,642	117,441	125,610

Notes to the financial statements are annexed.

Statement of Cash Flows

For the year ended 30 June 2005	Note	Consolidated		GUD Holdings Limited	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
		Inflows/ (Outflows)	Inflows/ (Outflows)	Inflows/ (Outflows)	Inflows/ (Outflows)
Cash flows from operating activities					
Receipts from customers		424,892	420,731	4,516	6,320
Payments to suppliers and employees		(368,812)	(357,627)	(6,630)	(6,199)
Dividends received		–	–	37,491	23,561
Interest received		341	442	3,355	3,245
Borrowing costs paid		(4,206)	(2,864)	(1,709)	(1,667)
Income taxes paid		(17,470)	(11,253)	(7,798)	(622)
Net cash provided by operating activities	29	34,745	49,429	29,225	24,638
Cash flows from investing activities					
Payments for property, plant and equipment		(6,568)	(9,216)	(9)	–
Payments for businesses	26	(6,337)	(9,326)	–	–
Proceeds from sale of property, plant and equipment		1,960	907	–	–
(Repayment)/Proceeds from controlled entity loans		–	–	(3,192)	16,727
Payments for intangible assets and product development costs		(5,892)	(2,467)	–	–
Net cash provided by/(used in) investing activities		(16,837)	(20,102)	(3,201)	16,727
Cash flows from financing activities					
(Repayment)/Proceeds of borrowings		8,107	(1,351)	5,000	(15,000)
Payment for share buy-back		(8,011)	(1,863)	(8,011)	(1,863)
Proceeds from issue of shares		85	1,123	85	1,123
Dividends paid	6	(27,910)	(19,444)	(27,910)	(19,444)
Net cash used in financing activities		(27,729)	(21,535)	(30,836)	(35,184)
Net increase/(decrease) in cash held		(9,821)	7,792	(4,812)	6,181
Cash at the beginning of the financial year		29,708	21,758	5,285	(896)
Effects of exchange rate changes on the balance of cash held in foreign currencies		23	158	–	–
Cash at the end of the financial year		19,910	29,708	473	5,285
Reconciliation of net cash at the end of the financial year					
Cash at bank and on hand	7	23,303	29,708	473	5,285
Unsecured bank overdraft	16(a)	(3,393)	–	–	–
		19,910	29,708	473	5,285

Notes to the financial statements are annexed.

Notes to the Financial Statements

1. Summary of accounting policies

Financial reporting framework

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Urgent Issues Group Consensus Views, and complies with other requirements of the law.

The financial report has been prepared on the basis of historical cost and except where stated, does not take into account changing money values or current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Significant accounting policies

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

Principles of consolidation

The consolidated financial statements include the financial statements of GUD Holdings Limited, being the parent entity, and its controlled entities ('the consolidated entity') as defined in Accounting Standard AASB 1024 Consolidated Accounts. A list of controlled entities appears in Note 24 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased.

The balances, and effects of transactions, between controlled entities included in the consolidated financial statements have been eliminated in full on consolidation.

Revenue recognition

Sales revenue comprises revenue earned (net of rebates, discounts, allowances, duties and taxes paid or payable) from the provision of products or services. Sales revenue is recognised when the consolidated entity has passed control of the goods or other assets to the buyer, or when the fee in respect of services provided is receivable.

The gross proceeds of asset sales are included as revenue of the consolidated entity. The profit or loss on disposal of assets is brought to account at the date an unconditional contract of sale is signed.

Interest revenue is recognised on an accrual basis.

Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables are recognised inclusive of GST.

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

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

Income tax

Tax-effect accounting principles are adopted whereby income tax expense is calculated on pre-tax accounting profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial position as a future income tax benefit or a provision for deferred income tax.

During the financial year, the Directors elected that the Company and all its wholly-owned Australian resident entities would join a tax-consolidated Group. As a result, all income tax expenses, revenues, assets and liabilities of the members of the tax-consolidated Group are recognised in the financial statements of the parent entity, GUD Holdings Ltd.

The tax-consolidated Group has entered into a tax sharing agreement that requires wholly-owned subsidiaries to make or receive contributions to the head entity for current tax assets and liabilities at the formation of the tax-consolidated Group. In addition, all future tax amounts relating to external transactions, events and balances will be recognised in the head entity.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond a reasonable doubt. Future income tax benefits relating to tax losses are only brought to account when their realisation is virtually certain. The tax effects of capital losses are only brought to account when realised.

No provision has been made for capital gains tax which may arise on the disposal of assets as no decision has been made to sell any of these assets.

Derivative financial instruments

The consolidated entity enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including forward foreign exchange contracts and options, interest rate contracts, and interest rate swaps and options.

Further details of derivative financial instruments are disclosed in Note 32 to the financial statements.

Foreign exchange contracts

Exchange differences on forward foreign exchange contracts to hedge the purchase or sale of specific goods and services are deferred and included in the measurement of the purchase or sale.

Notes to the Financial Statements

1. Summary of Accounting Policies (continued)

In the event of the early termination of a foreign currency hedge of an anticipated purchase or sale of goods and services, the deferred gains and losses that arose on the foreign exchange contract prior to its termination are:

- deferred and included in the measurement of the purchase or sale when it takes place, where the anticipated transaction is still expected to occur; or
- recognised in net profit or loss at the date of termination, if the anticipated transaction is no longer expected to occur.

Interest rate contracts

Gains and losses on forward interest rate contracts are deferred and amortised over the term of the underlying borrowing.

Interest rate swaps

Gains and losses on interest rate swaps are included in the determination of interest expense.

Borrowing costs

Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets which necessarily take a substantial period of time to get ready for their intended use or sale. In these circumstances, borrowing costs are capitalised to the cost of the assets.

Receivables

Trade accounts receivables, generally settled within 55 days, are carried at amounts due. An allowance is raised for any doubtful debts based on a review of all outstanding amounts at balance date. Bad debts are written off in the period in which they are identified.

Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of manufactured inventory includes direct materials, direct labour and an appropriate portion of variable and fixed overhead. Costs are assigned on a first-in-first-out basis and overheads are applied on the basis of normal operating capacity.

Investments

Investments in controlled entities are carried at the lower of cost and recoverable amount. Dividend revenue is brought to account in the statement of financial performance on a receivable basis. The payment of pre-acquisition dividends by the controlled entities reduces the Company's carrying value of its investments.

Recoverable amount of non-current assets

The carrying amount of non-current assets is reviewed regularly to ensure the carrying amounts are not in excess of recoverable amounts. In determining recoverable amounts, the expected cash flows have not been discounted to their present value, except where specifically stated.

Depreciation

Items of property, plant and equipment, excluding freehold land, are depreciated using the straight-line method over their expected useful lives.

Assets are depreciated from the date of acquisition or from the time an asset is completed and held ready for use.

Depreciation rates and methods are reviewed annually. Where depreciation rates or methods are changed, the net written down value of the asset is depreciated from the date of change in accordance with the new depreciation rate or method.

The following estimated useful lives are used in the calculation of depreciation:

• Buildings	25 to 40 years
• Plant and equipment	3 to 12 years
• Leased plant and equipment	3 to 12 years

Intangibles

Goodwill acquired or arising on consolidation, representing the excess of the cost of acquisition over the fair value of the identifiable net assets acquired, is amortised on a straight-line basis over a period of 20 years.

Patents and licences are recorded at cost and amortised on a straight-line basis over the shorter of the relevant agreement or the useful life.

Business names, trademarks and brand names are recorded at cost and not amortised on the basis that these assets do not have a finite useful life.

The carrying values of all intangibles are reviewed annually and to the extent that the future benefits are no longer considered probable, they are expensed and included in the statement of financial performance.

Product development costs

Product development costs are deferred to the extent that such costs are expected, beyond any reasonable doubt, to be recoverable. The unamortised balance of product development costs deferred in previous periods is reviewed regularly and at each reporting date to ensure the criterion for deferral continues to be met. Where such costs are no longer considered recoverable they are written off as an expense in net profit or loss. Product development costs are amortised over the period of the related benefit generally not exceeding three years.

Accounts payable and interest-bearing liabilities

Trade accounts payable, including accruals not yet billed, are recognised when the consolidated entity becomes obliged to make future payments as a result of a purchase of assets or services. Trade accounts payable are generally settled within contracted terms.

Bank loans are carried on the statement of financial position at their principal amount, subject to set-off arrangements. Interest on financial instruments is recognised as an expense on an effective yield basis.

Employee benefits

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

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

1. Summary of Accounting Policies (continued)

Provisions made in respect of long service leave which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

Leased assets

Leases under which the consolidated entity assumes substantially all the risks and benefits of ownership of the leased property are classified as finance leases. Other leases are classified as operating leases.

Finance leases

Leased assets classified as finance leases are recognised as assets. A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Capitalised leased assets are amortised on a straight-line basis over the estimated useful life of the asset.

Finance lease payments are allocated between interest expense and reduction of the lease liability over the term of the lease. The interest components of the lease payment are expensed.

Operating leases

Payments under operating leases are expensed on a straight-line basis over the term of the lease.

Restoration costs relating to non-current assets

Restoration costs are treated as an expense at the time the need for restoration is identified.

Acquisition of assets

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition.

Provisions

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

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

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

Warranties

Provision is made for the estimated liability on all products still under warranty, net of product claims receivable. This provision is estimated having regard to warranty costs experience over previous years and general seasonal return trend.

Dividends

A provision is recognised for dividends when they have been declared, determined or publicly recommended by the Directors on or before the reporting date.

Restructuring

Provision for restructuring is recognised when the consolidated entity has developed a detailed formal plan for the restructuring and has either:

- (i) entered into firm contracts to carry out the restructuring; or
- (ii) raised a valid expectation in those effected by the restructuring that the restructuring will occur.

Where a restructuring arises as a consequence of an acquisition, a provision is recognised when, at or before the date of acquisition, the main features of a plan for restructuring are developed, and within three months of the date of acquisition, or by the time of completion of the financial report, the consolidated entity has developed a formal detailed plan for the restructuring and has either:

- (i) entered into firm contracts to carry out the restructuring; or
- (ii) raised a valid expectation in those affected by the restructuring that the restructuring will occur.

Such provisions are only made in respect of the restructuring of operations within the acquired entity.

Environmental remediation

Provisions for remediation costs relating to non-current assets are made for estimated costs relating to the remediation of soil, groundwater and untreated waste as soon as the need is identified.

Provisions are determined on an undiscounted basis and include the following costs: reclamation, plant closure, waste site closure and monitoring activities. These costs have been determined based on current costs, current legal requirements and current technology. Changes in estimates are dealt with on a prospective basis.

Foreign currency

Foreign currency transactions

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

Exchange differences are recognised in net profit or loss in the period in which they arise except that:

- exchange differences which relate to assets under construction for future productive use are included in the cost of those assets; and
- exchange differences on transactions entered into in order to hedge the purchase or sale of specific goods and services are deferred and included in the measurement of the purchase or sale.

Notes to the Financial Statements

1. Summary of Accounting Policies (continued)

General hedging transactions

Any costs or gains arising at the inception of a hedge are accounted for separately from the exchange differences on the hedging transactions. The costs or gains are deferred and recognised as assets or liabilities on entering the hedging transactions and amortised as expenses or revenues in net profit or loss over the lives of the hedging transactions.

Hedging specific commitments

In relation to transactions intended to hedge specific purchases or sales:

- costs or gains arising at the time entering into the transactions; and
- exchange differences, to the extent that they arise up to the dates of purchase or sale

are deferred and included in the measurement of the purchases or sales.

Foreign operations

Exchange differences relating to foreign currency monetary items forming part of the net investment in a self-sustaining foreign operation are transferred on consolidation to the foreign currency translation reserve.

Financial statements of self-sustaining foreign controlled entities are translated at reporting date using the current rate method and exchange differences are taken directly to the foreign currency translation reserve.

Management of the transition to A-IFRS

GUD Holdings Limited will be required to prepare financial statements that comply with Australian Equivalents to International Financial Reporting Standards ('A-IFRS') for annual reporting periods beginning on or after 1 January 2005. Accordingly, GUD Holdings Limited's first half-year report prepared under A-IFRS will be for the half-year reporting period ending 31 December 2005, and its first annual financial report prepared under A-IFRS will be for the year ending 30 June 2006.

In March 2004, GUD Holdings Limited established a Steering Committee, supported by an implementation team, to manage the transition and implementation of A-IFRS. In accordance with the project plan, the transition to A-IFRS is being managed in three phases as follows:

Assessment and planning phase

The assessment and planning phase generated a high level overview of the impacts of conversion to A-IFRS on existing accounting and reporting policies and procedures, business structures and staff. This phase included:

- high level identification of the key differences in accounting policies and disclosures that are expected to arise from adopting A-IFRS;
- assessment of new information requirements affecting management information systems, as well as the impact on the business and its key processes;
- evaluation of the implications for staff, for example training requirements; and
- preparation of a conversion plan for expected changes to accounting policies, reporting structures, systems, accounting and business processes and staff training.

Design phase

The design plan formulated the changes required to existing accounting policies and procedures and systems and processes in order to transition to A-IFRS. The design phase incorporated:

- formulation of revised accounting policies and procedures for compliance with A-IFRS requirements;
- identification of potential impacts as at the transition date and for subsequent reporting periods prior to adoption of A-IFRS;
- development of revised A-IFRS disclosures;
- formulation of accounting and business processes to support A-IFRS reporting obligations;
- identification of required changes to financial reporting and business source systems; and
- development of training programs for staff.

Implementation phase

The implementation phase includes implementation of identified changes to accounting and business procedures, processes and systems and operational training for staff and enables the consolidated entity to generate the required reconciliations and disclosures of AASB 1 First Time Adoption of Australian Equivalents to International Financial Reporting Standards.

At the date of this financial report, GUD Holdings Limited has substantially completed all three phases of the project plan. In the opinion of the Steering Committee and the Directors of the Company, GUD Holdings Limited has successfully managed its transition to A-IFRS.

Impacts of adopting A-IFRS

The rules for the first-time adoption of A-IFRS are set out in AASB 1 First Time Adoption of Australian Equivalents to International Financial Reporting Standards. In general, A-IFRS accounting policies must be applied retrospectively to determine the opening A-IFRS balance sheet as at transition date, being 1 July 2004. The standard allows a number of exemptions to this general principle to assist in the transition to reporting under A-IFRS. The accounting policies note below includes details of the AASB 1 elections adopted.

The following proforma statement of financial performance and statement of financial position outline the likely impacts on the current year result and financial position of the consolidated entity had the financial statements been prepared using A-IFRS, based on the Directors' accounting policy decisions current at the date of this Report. Readers of the financial report should note that further developments in A-IFRS, if any, may result in changes to the accounting policy decisions made by the Directors and, consequently, the likely impacts outlined in the following proforma financial statements. See also Note 35.

1. Summary of Accounting Policies (continued)

Proforma statement of financial performance for the year ended 30 June 2005

	Note	Consolidated A-IFRS Impact			GUD Holdings Limited A-IFRS Impact		
		AGAAP	Transition impact	A-IFRS	AGAAP	Transition impact	A-IFRS
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Operating revenue from ordinary activities		395,561	–	395,561	45,362	–	45,362
Non-operating revenue from ordinary activities	(aa)	27	(27)	–	–	–	–
Total revenue		395,588	(27)	395,561	45,362	–	45,362
Cost of goods sold		(240,307)	–	(240,307)	–	–	–
Marketing and selling expenses		(43,248)	–	(43,248)	–	–	–
Research expenses		(2,502)	–	(2,502)	–	–	–
Logistics expenses and outward freight		(20,984)	–	(20,984)	–	–	–
Administration expenses		(20,487)	–	(20,487)	(3,932)	–	(3,932)
Borrowing costs		(4,206)	–	(4,206)	(1,709)	–	(1,709)
Restructuring expenses – individually significant items			–	–	–	–	–
• Relocation, restructuring and environmental remediation of Consumer Products Division		–	–	–	–	–	–
• Restructure of Automotive Products Division		(12,642)	–	(12,642)	–	–	–
Amortisation of goodwill	(ee)	(1,474)	1,474	–	–	–	–
Other expenses from ordinary activities	(aa)	(7,499)	27	(7,472)	(388)	–	(388)
Profit from ordinary activities before related income tax expense		42,239	1,474	43,713	39,333	–	39,333
Income tax expense relating to ordinary activities	(bb)	(13,320)	–	(13,320)	(11,666)	11,114*	(552)
Profit from ordinary activities after related income tax expense		28,919	1,474	30,393	27,667	11,114	38,781
Net profit attributable to members of GUD Holdings Limited		28,919	1,474	30,393	27,667	11,114	38,781

* Under the Urgent Issues Group Interpretation 1052, GUD Holdings Limited is required to transfer to its wholly-owned Australian subsidiaries all amounts relating to transactions of its wholly-owned Australian subsidiaries forming the tax-consolidated Group.

Effect of A-IFRS on the cash flow statement for the financial year ended 30 June 2005

There are no material differences between the cash flow statement presented under A-IFRS and the cash flow statement presented under the superseded policies.

Notes to the Financial Statements

1. Summary of Accounting Policies (continued)

Proforma statement of financial position as at 30 June 2005

	Note	Consolidated			GUD Holdings Limited		
		AGAAP \$'000	Transition impact \$'000	A-IFRS \$'000	AGAAP \$'000	Transition impact \$'000	A-IFRS \$'000
Current assets							
Cash assets		23,303	–	23,303	473	–	473
Receivables		50,029	–	50,029	38,945	12,469	51,414
Inventories		67,275	–	67,275	–	–	–
Current tax assets		–	–	–	–	–	–
Other		4,307	–	4,307	544	–	544
Total current assets		144,914	–	144,914	39,962	12,469	52,431
Non-current assets							
Other financial assets		–	–	–	101,022	–	101,022
Property, plant and equipment	(dd)	27,202	–	27,202	14	–	14
Intangible assets	(ee)	61,572	1,474	63,046	–	–	–
Deferred tax assets	(bb)(ff)	3,415	–	3,415	1,568	(1,355)	213
Other		7,946	–	7,946	–	–	–
Total non-current assets		100,135	1,474	101,609	102,604	(1,355)	101,249
Total assets		245,049	1,474	246,523	142,566	11,114	153,680
Current liabilities							
Payables	(cc)	32,754	–	32,754	706	–	706
Interest-bearing liabilities		29,861	–	29,861	10,000	–	10,000
Current tax liabilities		3,819	–	3,819	3,716	–	3,716
Provisions		9,405	–	9,405	82	–	82
Total current liabilities		75,839	–	75,839	14,504	–	14,504
Non-current liabilities							
Interest-bearing liabilities		31,028	–	31,028	10,000	–	10,000
Deferred tax liabilities	(bb)(ff)	–	2,924	2,924	–	–	–
Provisions		2,455	–	2,455	621	–	621
Total non-current liabilities		33,483	2,924	36,407	10,621	–	10,621
Total liabilities		109,322	2,924	112,246	25,125	–	25,125
Net assets		135,727	(1,450)	134,277	117,441	11,114	128,555
Equity							
Contributed equity		98,437	–	98,437	98,437	–	98,437
Reserves	(dd)(gg)	1,370	(1,368)	2	–	–	–
Retained profits	(hh)	35,920	(82)	35,838	19,004	11,114	30,118
Total equity		135,727	(1,450)	134,277	117,441	11,114	128,555

1. Summary of Accounting Policies (continued)

(aa) Revenue from ordinary activities

Although not impacting the net profit of the Company and the consolidated entity, the adoption of A-IFRS will result in a number of transactions being recorded on a 'net' rather than a 'gross' basis. In addition, the adoption of A-IFRS results in the reclassification of proceeds from sale of non-current assets from 'non-operating revenue from ordinary activities' to 'other expenses from ordinary activities' in the statement of financial performance.

As a consequence, consolidated revenue from non-operating ordinary activities will decrease by \$27 thousand and expenses from ordinary activities of \$27 thousand will also decrease and be recognised for the financial year ended 30 June 2005.

There were no adjustments to GUD Holdings Limited.

(bb) Income tax

On transition to A-IFRS the balance sheet method of tax-effect accounting will be adopted rather than the liability method applied currently under Australian GAAP.

Increases in deferred tax liabilities will arise as a consequence of the recognition of deferred taxes associated with brand names (\$2.924 million).

The consolidated entity's cumulative impact on the financial position at 30 June 2005 will be to increase deferred tax liabilities by \$2.924 million.

GUD Holdings Limited is expecting to reverse and allocate to members of the Australian tax consolidation Group \$1.355 million in deferred tax assets.

(cc) Derivative financial instruments

The Directors have elected to apply the first-time adoption exemption available to GUD Holdings Limited to defer the date of transition of AASB 139 Financial Instruments: Recognition and Measurement until 1 July 2005. Accordingly, there will be no quantitative impacts on the 30 June 2005 financial statements.

(dd) Property, plant and equipment

On initial adoption of A-IFRS, the Directors have elected to deem the fair values of plant and equipment at 1 July 2004 to be cost for accounting purposes, as permitted by the first-time adoption provisions in AASB 1 First Time Adoption of Australian Equivalents to International Financial Reporting Standards.

Under current AGAAP, revaluation increments and decrements within a class of assets are to be recognised on a net basis, however, A-IFRS requires revaluation increments and decrements to be recognised on an individual asset-by-asset basis.

The consolidated entity will transfer \$0.923 million from the general reserve (relating to previous asset revaluations) to retained earnings.

No adjustments are expected for GUD Holdings Limited.

(ee) Intangible assets

Goodwill

The adoption of A-IFRS will not significantly impact the carrying amount of goodwill as the Directors have decided not to restate past business combinations (refer (ff)). Under A-IFRS, goodwill is not subject to amortisation, but must be tested for impairment annually and whenever there is an indication that goodwill may be impaired. As a result, the amortisation expense will decrease by \$1.474 million for the financial year ended 30 June 2005. No adjustments are expected for GUD Holdings Limited.

(ff) Business combinations

On adoption of A-IFRS the Directors have elected not to restate business combinations that occurred before 1 July 2004.

During the year, the business Contamination Control was acquired. However, no differences have been identified between AGAAP and A-IFRS.

Accordingly, the impacts of the adoption of A-IFRS on the financial report associated with past business combinations will be limited to the recognition of additional deferred tax assets and deferred tax liabilities (refer to note (bb)) and cessation of goodwill amortisation (refer to note (ee)).

(gg) Reserves

On adoption of A-IFRS the Directors have elected, as permitted by AASB 121 The Effects of Changes in Foreign Exchange Rates, to transfer the existing balance of cumulative translation differences for all foreign entities to retained earnings.

As a result, the consolidated entity's foreign currency translation reserve will decrease by \$0.445 million and retained earnings will increase by \$0.445 million. No adjustments are expected for GUD Holdings Limited.

Notes to the Financial Statements

1. Summary of Accounting Policies (continued)

(hh) Retained earnings

Adjustments required on first-time adoption of A-IFRS are recognised directly in retained earnings (or if appropriate another category of equity) at the date of transition to A-IFRS. The cumulative effect of these adjustments for the consolidated entity will be a decrease in retained earnings of \$1.556 million as summarised below.

No adjustments are expected for GUD Holdings Limited.

	Consolidated \$'000	GUD Holdings Limited \$'000
Retained earnings as at 1 July 2004 under AGAAP	34,911	19,247
A-IFRS reconciliation:		
– transfer from general reserve	923	–
– transfer from foreign currency translation reserve	445	–
– recognition of deferred tax liability on brand names	(2,924)	–
Retained earnings as at 1 July 2004 under A-IFRS	33,355	19,247

	Note	Consolidated		GUD Holdings Limited	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000

2. Revenue from ordinary activities

(a) Operating revenue:

Sale of goods	394,446	393,798	–	–
Rendering of services	–	–	4,516	4,385
	394,446	393,798	4,516	4,385

Dividends

Controlled entities	31	–	–	37,491	23,561
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Interest

Controlled entities	31	–	–	3,053	2,827
Other parties		341	442	302	418

<i>Other</i>		774	1,538	–	–
Total operating revenues		395,561	395,778	45,362	31,191

(b) Non-operating revenue:

Gross proceeds from sale of plant and equipment		27	907	–	–
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Total non-operating revenue		27	907	–	–
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Total revenue		395,588	396,685	45,362	31,191
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	Consolidated		GUD Holdings Limited	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
3. Profit from ordinary activities before income tax expense				
(a) Restructuring expenses comprises the following individually significant items included in profit from ordinary activities before income tax expense				
Relocation, restructuring and environmental remediation				
– Consumer Products Division	–	5,919	–	–
Restructure of Automotive Products Division	4,485	2,950	–	–
Write-down of property, plant and equipment				
– Automotive Products Division	8,157	–	–	–
Individually significant items	12,642	8,869	–	–
(b) Expenses included in profit from ordinary activities before income tax expense				
<i>Depreciation and amortisation</i>				
Depreciation on buildings	49	48	–	–
Depreciation on plant and equipment	4,883	7,303	7	10
Amortisation of leased plant and equipment	670	424	–	–
Amortisation of product development costs	1,986	1,808	–	–
Amortisation of goodwill	1,474	1,688	–	–
Amortisation of other intangibles	640	593	–	–
Total depreciation and amortisation	9,702	11,864	7	10
<i>Borrowing costs</i>				
Interest expense – other parties	4,206	2,864	1,709	1,667
<i>Research expenditure</i>				
Expensed	2,502	2,295	–	–
<i>Other</i>				
Net expense from movements in provision for doubtful debts	84	(39)	–	–
Bad debts written off	540	55	–	–
Net foreign exchange loss	1,853	366	–	–
Operating lease rental expense – minimum lease payments	7,580	7,263	21	19
Write-down in value of inventories	370	314	–	–
(c) Sales of non-current assets				
Sales of assets in the ordinary course of business have given rise to the following profits and losses:				
Total loss on sale of property, plant and equipment	642	324	–	–

Notes to the Financial Statements

	Consolidated		GUD Holdings Limited	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
4. Taxation				
(a) Income tax expense				
Prima facie income tax expense calculated at 30% (2004: 30%) on the profit from ordinary activities	12,672	15,388	11,800	7,353
<i>Increase (decrease) in income tax expense due to:</i>				
Non-deductible expenditure	164	159	16	5
Non-deductible depreciation and amortisation	593	824	–	–
Under (over) provision of income tax in prior year	241	(266)	3	4
Non-assessable income and tax incentives	(480)	(392)	–	–
Rebates on dividends received	–	–	–	(7,068)
Effect of higher tax rates on overseas income	150	53	–	–
Impact of the tax consolidation system:				
Amendments to reset tax values initially determined on implementation of tax consolidation	(20)	–	(20)	–
Non-assessable amounts related to transactions within the tax-consolidated Group	–	–	(11,247)	–
Initial recognition of deferred tax asset/(liability) balances of subsidiaries on implementation of the tax consolidation system	–	–	1,204	–
Consideration paid to subsidiaries in respect of transferred deferred tax balances	–	–	(1,204)	–
Income tax expense related to current and deferred tax transactions of the wholly-owned subsidiaries in the tax-consolidated Group	–	–	11,114	–
Provision for deferred tax now brought to account	–	–	–	–
Income tax expense attributable to ordinary activities	13,320	15,766	11,666	294

Tax consolidation system

Legislation to allow groups, comprising a parent entity and its Australian resident wholly-owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantively enacted on 21 October 2002. The Directors have elected to be taxed as a single entity with a start date of 1 July 2003, by passing a resolution on 23 November 2004, for all Australian subsidiaries with the exception of Spa-Quip (Australia) Pty Ltd. Under the tax consolidation regime Spa-Quip (Australia) Pty Ltd is ineligible to join the Australian group.

Under the legislation, if a group chooses to be taxed as a consolidated entity, each of the entities in the tax-consolidated Group will be taken to be 'part' of the head entity for the purposes of tax consolidation legislation. A single consolidated annual return will be required to be prepared for the tax-consolidated Group. The head entity in the tax-consolidated Group must also recognise current and deferred tax amounts relating to transactions, events and balances of the wholly-owned subsidiaries in the tax-consolidated Group, as if those transactions, events and balances were its own.

The financial effect of the implementation of the tax consolidation system has been fully assessed and recognised in the financial statements. GUD Holdings Limited, the head entity, has also compensated its wholly-owned Australian subsidiaries for the carrying amount of their deferred tax balances.

Under the legislation, entities may choose to reset the tax values of their assets by either a 'transitional method', which generally allows for the retention of existing tax values, or by the 'ongoing method', which involves the calculation and allocation of an allocable cost amount.

With the exception of Lock Focus Pty Ltd and Sunbeam Corporation Ltd, the remaining wholly-owned Australian subsidiaries have elected to apply the transitional method.

The resulting effect of applying the 'ongoing method' is as follows:

- Lock Focus Pty Ltd was able to increase its tax written down value of plant, machinery and equipment by \$2,223 thousand and establish a tax value of \$11,954 thousand for goodwill. The financial effect of these adjustments was to recognise an increased future income tax benefit of \$667 thousand and a corresponding credit to income tax expense of \$667 thousand. In addition, future claims of depreciation will now be higher resulting in lower taxable income of approximately \$445 thousand annually.
- Sunbeam Corporation Ltd has now established a tax value for its brand name of \$10,878 thousand. However, this has also led to the decrease in its tax written down value of plant, machinery and equipment of \$1,239 thousand. Future claims of depreciation will now be lower by approximately \$247 thousand annually.

	Consolidated		GUD Holdings Limited	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
4. Taxation (continued)				
(b) Current tax liabilities				
<i>Income tax payable</i>	3,819	8,564	3,716	–
(c) Deferred tax liabilities				
<i>Provision for deferred income tax – timing differences</i>	–	62	–	–
Provision for deferred income tax comprises the estimated liability at the applicable rate of 30%				
(d) Deferred tax assets				
<i>Future income tax benefit – timing differences</i>	3,415	4,026	1,568	217
Future income tax benefit comprises the estimated future benefit at the applicable rate of 30%				
(e) Current tax assets				
Refund due from Australian Taxation Office	–	–	–	257

Notes to the Financial Statements

5. Segment information

For the year ended 30 June 2005

Primary reporting 1. Business segments	Consumer Products \$'000	Automotive Products \$'000	Water Products \$'000	Security Products \$'000	Unallocated \$'000	Total \$'000
Total segment revenue (external)	215,074	78,654	88,198	13,333	302	395,561
Non-operating revenue						27
						395,588
Segment result before amortisation and depreciation	33,291	5,738	13,321	3,253	203	55,806
Amortisation and depreciation	4,817	788	2,909	1,181	7	9,702
Segment result after amortisation and depreciation	28,474	4,950	10,412	2,072	196	46,104
Less: Net interest						(3,865)
Profit from ordinary activities before related income tax expense						42,239
Income tax expense relating to ordinary activities						(13,320)
Profit from ordinary activities after related income tax expense						28,919
Segment assets	124,481	38,513	63,802	13,807	4,446	245,049
Segment liabilities	55,873	9,270	16,662	2,289	25,228	109,322
Segment acquisition of assets	9,114	383	1,907	1,047	9	12,460

Secondary reporting 2. Geographical segments	Australia \$'000	New Zealand \$'000	Unallocated \$'000	Eliminations \$'000	Total \$'000
External segment revenue	350,023	44,911	627	–	395,561
Inter-segment revenue	10,080	4,886	–	(14,966)	–
Total segment revenue	360,103	49,797	627	(14,966)	395,561
Non-operating revenue					27
					395,588
Segment assets	187,210	52,887	4,952	–	245,049
Segment acquisition of assets	12,373	87	–	–	12,460

3. Activity segments	Consumer Products \$'000	Automotive Products \$'000	Water Products \$'000	Security Products \$'000	Unallocated \$'000	Total \$'000
Profit (loss) from trading activities (before tax)	26,579	16,246	8,442	1,772	1,842	54,881
Profit (loss) from trading activities (after tax)	25,539	11,957	7,692	2,404	(9,824)	37,768
Profit (loss) from individually significant items (before tax)	–	(12,642)	–	–	–	(12,642)
Profit (loss) from individually significant items (after tax)	–	(8,849)	–	–	–	(8,849)
Profit (loss) from normal activities (before tax)	26,579	3,604	8,442	1,772	1,842	42,239
Profit (loss) from normal activities (after tax)	25,539	3,108	7,692	2,404	(9,824)	28,919

5. Segment information (continued)

For the year ended 30 June 2004

Primary reporting	Consumer Products \$'000	Automotive Products \$'000	Water Products \$'000	Security Products \$'000	Unallocated \$'000	Total \$'000
1. Business segments						
Total segment revenue (external)	223,159	86,016	72,759	13,426	418	395,778
Non-operating revenue						907
						396,685
Segment result before amortisation and depreciation	34,091	18,599	10,169	3,339	(620)	65,578
Amortisation and depreciation	5,542	3,110	1,919	1,283	10	11,864
Segment result after amortisation and depreciation	28,549	15,489	8,250	2,056	(630)	53,714
Less: Net interest						(2,422)
Profit from ordinary activities before related income tax expense						51,292
Income tax expense relating to ordinary activities						(15,766)
Profit from ordinary activities after related income tax expense						35,526
Segment assets	123,824	50,931	56,545	14,073	9,369	254,742
Segment liabilities	56,535	12,488	15,054	2,415	25,608	112,100
Segment acquisition of assets	5,929	665	14,577	858	–	22,029

Secondary reporting	Australia \$'000	New Zealand \$'000	Unallocated \$'000	Eliminations \$'000	Total \$'000
2. Geographical segments					
External segment revenue	358,027	37,333	418	–	395,778
Inter-segment revenue	9,806	14,213	–	(24,019)	–
Total segment revenue	367,833	51,546	418	(24,019)	395,778
Non-operating revenue					907
					396,685
Segment assets	207,517	43,199	4,026	–	254,742
Segment acquisition of assets	9,579	12,450	–	–	22,029

3. Activity segments	Consumer Products \$'000	Automotive Products \$'000	Water Products \$'000	Security Products \$'000	Unallocated \$'000	Total \$'000
Profit (loss) from trading activities (before tax)	33,463	16,792	7,194	1,764	948	60,161
Profit (loss) from trading activities (after tax)	23,131	11,605	5,134	1,210	654	41,734
Profit (loss) from individually significant items (before tax)	(5,919)	(2,950)	–	–	–	(8,869)
Profit (loss) from individually significant items (after tax)	(4,143)	(2,065)	–	–	–	(6,208)
Profit (loss) from normal activities (before tax)	27,544	13,842	7,194	1,764	948	51,292
Profit (loss) from normal activities (after tax)	18,988	9,540	5,134	1,210	654	35,526

- Inter-segment pricing is on a commercial basis.
- Segment result excludes net borrowing costs and income tax expense.

Business segments

Consumer Products (Sunbeam, Victa)

Small electrical appliances and lawnmowers.

Automotive Products (Ryco, Wesfil, Goss)

Automotive and heavy duty filters for cars, trucks, agricultural and mining equipment and fuel pumps and associated products for the automotive aftermarket.

Water Products (Davey, Spa-Quip, Contamination Control)

Pumps and pressure systems for household and farm water, water transfer pumps, swimming pool pumps and filters, spa controllers and pumps and water purification equipment.

Security Products (Lock Focus)

Disc tumbler locks for metal and wooden furniture, security doors, roller shutter doors and hotel and domestic safe locking systems.

Notes to the Financial Statements

6. Dividends

Dividends recognised in the current year by the Company are:

Fully Paid Ordinary Shares	Cents per share	Total amount \$'000	Date of payment	Tax rate	Percentage franked
2005					
Final dividend in respect of the 2004 financial year	23.0	14,010	10 September 2004	30%	100%
Interim dividend in respect of the 2005 financial year	23.0	13,900	11 March 2005	30%	100%
Total dividends		27,910			
2004					
Final dividend in respect of the 2003 financial year	15.0	9,077	12 September 2003	30%	100%
Interim dividend in respect of the 2004 financial year	17.0	10,367	12 March 2004	30%	100%
Total dividends		19,444			

GUD Holdings Limited

2005 2004

\$'000 \$'000

Dividend franking account

30% franking credits available to shareholders of GUD Holdings Limited for subsequent financial years **10,840** 10,704

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

	Consolidated		GUD Holdings Limited	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000

7. Cash assets

Current

Cash at bank and on hand **23,303** 29,708 **473** 5,285

8. Receivables

Current

Trade receivables	50,653	51,844	–	–
Less: Allowance for doubtful debts and settlement discounts	(624)	(723)	–	–
	50,029	51,121	–	–
Loans to controlled entities	–	–	38,945	35,753
	50,029	51,121	38,945	35,753

	Note	Consolidated		GUD Holdings Limited	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
9. Inventories					
Current					
Raw materials and stores at cost		7,873	7,493	–	–
Raw materials and stores at net realisable value		3,839	1,850	–	–
		11,712	9,343	–	–
Work in progress at cost		6,947	5,545	–	–
Work in progress at net realisable value		2,533	2,285	–	–
		9,480	7,830	–	–
Finished goods and spare parts at cost		36,600	38,472	–	–
Finished goods and spare parts at net realisable value		9,483	10,853	–	–
		46,083	49,325	–	–
		67,275	66,498	–	–
10. Other assets					
Current					
Prepayments and other assets		4,307	4,665	544	46
11. Other financial assets					
Non-current					
Investment in controlled entities at cost	24	–	–	101,022	101,022
12. Property, plant and equipment					
Non-current					
Freehold land and buildings at cost		4,208	4,184	–	–
Accumulated depreciation		(263)	(213)	–	–
Total land and buildings		3,945	3,971	–	–
Plant and equipment at Ryco Tottenham plant at cost		24,055	23,972	–	–
Accumulated depreciation		(15,632)	(15,502)	–	–
Write-down to recoverable amount		(8,157)	–	–	–
Total plant and equipment at Ryco Tottenham plant at recoverable amount		266	8,470	–	–
Other plant and equipment at cost		31,146	53,334	159	163
Accumulated depreciation		(11,883)	(31,449)	(145)	(151)
Total other plant and equipment		19,263	21,885	14	12
Leased plant and equipment at capitalised cost		5,215	3,282	–	–
Accumulated amortisation		(1,487)	(817)	–	–
Total leased plant and equipment		3,728	2,465	–	–
Total net book value of property, plant and equipment		27,202	36,791	14	12
Aggregate depreciation and amortisation allocated during the financial year is recognised as an expense and disclosed in Note 3(b).					
Current value of freehold land and buildings					
Value of freehold land and buildings determined in accordance with an independent valuation ⁽¹⁾					
		4,281	4,257	–	–

⁽¹⁾ An independent valuation was carried out in June 2003 by Mr C N Barbour, ANZIV on behalf of Bristow Barbour & Walker Ltd. The basis of the valuation of the land and building was fair market value based on existing use or open market as appropriate and is in accordance with the Company's policy of obtaining independent valuations every three years.

Notes to the Financial Statements

	Consolidated		GUD Holdings Limited	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
12. Property, plant and equipment (continued)				
Reconciliations				
Reconciliations of the movement in net book value for each class of property, plant and equipment are set out below:				
<i>Freehold land and buildings</i>				
Net book value at the beginning of the financial year	3,971	3,836	–	–
Depreciation expense	(49)	(48)	–	–
Net foreign currency difference arising on translation of financial statements of self-sustaining foreign operations	23	183	–	–
Net book value at the end of the financial year	3,945	3,971	–	–
<i>Plant and equipment</i>				
Net book value at the beginning of the financial year	30,355	31,552	12	22
Additions	4,898	7,148	9	–
Disposals	(2,713)	(1,231)	–	–
Depreciation expense	(4,883)	(7,303)	(7)	(10)
Write-down to recoverable amount at Ryco Tottenham plant	(8,157)	–	–	–
Net foreign currency difference arising on translation of financial statements of self-sustaining foreign operations	29	189	–	–
Net book value at the end of the financial year	19,529	30,355	14	12
<i>Leased plant and equipment</i>				
Net book value at the beginning of the financial year	2,465	2,083	–	–
Additions	1,933	807	–	–
Disposals	–	(1)	–	–
Amortisation expense	(670)	(424)	–	–
Net book value at the end of the financial year	3,728	2,465	–	–
Total property, plant and equipment	27,202	36,791	14	12
13. Intangible assets				
Non-current				
Goodwill at cost	31,601	27,071	–	–
Accumulated amortisation	(10,357)	(8,883)	–	–
	21,244	18,188	–	–
Patents and licences at cost	3,111	1,875	–	–
Accumulated amortisation	(2,021)	(1,381)	–	–
	1,090	494	–	–
Brand names, business names and trademarks at cost	39,238	39,213	–	–
	61,572	57,895	–	–
Aggregate amortisation allocated during the financial year is recognised as an expense and disclosed in Note 3(b).				
14. Other assets				
Non-current				
Product development costs	14,363	8,364	–	–
Accumulated amortisation	(6,417)	(4,326)	–	–
	7,946	4,038	–	–
Product development costs capitalised in the current year	4,545	2,194	–	–
Aggregate amortisation allocated during the financial year is recognised as an expense and disclosed in Note 3(b).				

	Note	Consolidated		GUD Holdings Limited	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
15. Payables					
Current					
Trade payables and other accruals		32,754	37,894	706	1,267
16. Interest-bearing liabilities					
(a) Current					
Unsecured bank overdraft		3,393	–	–	–
Unsecured bank loan		25,651	26,709	10,000	10,000
Secured finance lease liabilities ⁽¹⁾	30	817	415	–	–
		29,861	27,124	10,000	10,000
(b) Non-current					
Unsecured bank loan		27,952	18,047	10,000	5,000
Secured finance lease liabilities ⁽¹⁾	30	3,076	2,135	–	–
		31,028	20,182	10,000	5,000
<i>⁽¹⁾ Secured by the assets leased, the current market value of which exceeds the value of the finance lease liability.</i>					
(c) Financing facilities					
Total facilities available:					
Unsecured bank overdraft		5,000	5,000	4,000	4,000
Unsecured bill facility		100,000	70,000	54,428	33,180
Unsecured money market facility		10,000	20,000	7,000	17,000
		115,000	95,000	65,428	54,180
Facilities used at balance date:					
Unsecured bank overdraft		3,393	–	–	–
Unsecured bill facility		53,603	44,756	20,000	15,000
Unsecured money market facility		–	–	–	–
		56,996	44,756	20,000	15,000
Facilities not utilised at balance date:					
Unsecured bank overdraft ⁽²⁾		1,607	5,000	4,000	4,000
Unsecured bill facility		46,397	25,244	34,428	18,180
Unsecured money market facility		10,000	20,000	7,000	17,000
		58,004	50,244	45,428	39,180

⁽²⁾ The unsecured bank overdraft for GUD Holdings Limited of \$4 million applies to all the Australian operations, as part of the bank account set-off arrangement for the GUD consolidated group and not exclusively to GUD Holdings Limited.

Bank overdrafts

The unsecured bank overdraft facility of \$5 million is subject to annual review.

As part of these facilities, GUD Holdings Limited and all of its controlled entities have entered into a Deed of Cross Guarantee.

GUD Holdings Limited has a contingent liability to the extent of the bank debt incurred by its controlled entities.

Interest on bank overdrafts is charged at prevailing market rates. The weighted average interest rate for all overdrafts as at 30 June 2005 is 8.69% (2004: 8.30%).

Notes to the Financial Statements

16. Interest-bearing liabilities (continued)

Bill facility

The unsecured bill facilities are provided by way of a club facility arrangement. The facilities are for a total \$100 million which are subject to review prior to expiry, as follows:

	Amount \$ million	Year ended 30 June
Seasonal facility	50	2007
Core facility	50	2009

Money market facility

The unsecured money market facility is payable on demand and may be withdrawn unconditionally.

Interest on drawdowns is charged at prevailing market rates.

	Note	Consolidated		GUD Holdings Limited	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
17. Provisions					
(a) Current					
Employee benefits	20	6,105	8,050	82	363
Relocation, restructuring and environmental remediation		693	6,213	–	–
Warranty		2,607	2,398	–	–
		9,405	16,661	82	363
(b) Non-current					
Employee benefits	20	2,455	1,613	621	352

Reconciliations

Reconciliations of the carrying amounts of each class of provision, except for employee benefits, are set out below:

Relocation, restructuring and environmental remediation – current

Carrying amount at beginning of year	6,213	7,223	–	–
Provisions made during the year	4,898	9,828	–	–
Re-measurement adjustments	(1,199)	–	–	–
Payments made during the year	(9,248)	(10,953)	–	–
Net foreign currency difference arising on translation of financial statements of self-sustaining foreign operations	29	115	–	–
Carrying amount at end of year	693	6,213	–	–

The provision for relocation, restructuring and environmental remediation represents the present value of the Directors' best estimate of the costs required to relocate and restructure the various entities within the Group and to restore property to the satisfaction of various state environmental protection authorities (refer Note 34 Contingent Liabilities – Environmental Remediation).

Warranty – current

Carrying amount at beginning of year	2,398	2,039	–	–
Provisions made during the year	10,440	8,752	–	–
Payments made during the year	(10,234)	(8,412)	–	–
Net foreign currency difference arising on translation of financial statements of self-sustaining foreign operations	3	19	–	–
Carrying amount at end of year	2,607	2,398	–	–

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

	Consolidated and GUD Holdings Limited			
	2005 \$'000	2005 No. '000	2004 \$'000	2004 No. '000

18. Contributed equity

Fully paid ordinary shares

59,916,164 fully paid ordinary shares (2004: 60,864,825)	98,437	59,916	106,363	60,864
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Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Movements in contributed equity

Balance at the beginning of the financial year	106,363	60,864	107,103	60,414
Issue of shares under the Executive Share Option Scheme ⁽¹⁾	85	50	1,123	730
Share buy-back ⁽²⁾	(8,011)	(998)	(1,863)	(280)
Balance at the end of the financial year	98,437	59,916	106,363	60,864

⁽¹⁾ 50,000 options, with each option equal to one share, were exercised during the year.

⁽²⁾ 998,661 fully paid ordinary shares, representing 1.64% of ordinary shares (2004: 279,698 shares, representing 0.46%) were bought back and cancelled during the financial year by the parent entity under a share buy-back scheme.

The total consideration of shares bought back on market was \$8,011,518 (2004: \$1,863,053) being on average \$8.02 per share (2004: \$6.66 per share).

	Consolidated		GUD Holdings Limited	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000

19. Reserves

(a) General reserve

Balance at the beginning of the financial year	923	923	–	–
Transfer from retained profits	–	–	–	–
Balance at the end of the financial year	923	923	–	–

The general reserve relates to revaluations of freehold land and buildings prior to the adoption of AASB 1041 Revaluation of Non-current Assets.

Amounts in the reserve are transferred (to)/from retained profits on the disposal of the revalued freehold land and buildings.

(b) Foreign currency translation reserve

Balance at the beginning of the financial year	445	(41)	–	–
Exchange rate differences on translation of controlled entities	2	486	–	–
Balance at the end of the financial year	447	445	–	–

Exchange differences relating to the translation of self-sustaining foreign controlled entities are brought to account by entries made directly to the foreign currency translation reserve, as described in Note 1.

Total reserves	1,370	1,368	–	–
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Notes to the Financial Statements

	Consolidated		GUD Holdings Limited	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
20. Aggregate employee benefits				
Aggregate liability for employee benefits, including on-costs, recognised and included in the financial statements is as follows:				
Provision for employee benefits:				
Current	6,105	8,050	82	363
Non-current	2,455	1,613	621	352
	8,560	9,663	703	715
Accrued wages and salaries ⁽¹⁾	2,240	4,783	623	1,143
Total employee benefits	10,800	14,446	1,326	1,858

⁽¹⁾ Accrued wages and salaries are included in the current trade payables balance as disclosed in Note 15 of the financial report.

	2005 No.	2004 No.	2005 No.	2004 No.
Number of employees				
Number of employees at the end of the financial year	938	1,086	10	8

21. Superannuation commitments

The consolidated entity contributes to a number of superannuation funds of the accumulating benefit type for which no actuarial assessments have been made and which were established to provide benefits for employees or their dependants on retirement, resignation, disablement or death. The funds include Company sponsored funds and multi-employer industry funds. Benefits are provided in the form of lump sum payments subject to applicable preservation rules. The consolidated entity contributes a percentage of individual employees' gross income and employees may make additional contributions on a voluntary basis.

	Note	Consolidated		GUD Holdings Limited	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
22. Retained profits					
Retained profits at the beginning of the financial year		34,911	18,829	19,247	14,476
Net profit attributable to members of the parent entity		28,919	35,526	27,667	24,215
Dividends	6	(27,910)	(19,444)	(27,910)	(19,444)
Retained profits at the end of the financial year		35,920	34,911	19,004	19,247

23. Total equity reconciliation

Total equity at the beginning of the financial year		142,642	126,814	125,610	121,579
Total changes in parent entity interest in equity recognised in statement of financial performance		28,921	36,012	27,667	24,215
<i>Transactions with owners as owners:</i>					
Contributions of equity	18	85	1,123	85	1,123
Share buy-back	18	(8,011)	(1,863)	(8,011)	(1,863)
Dividends	6	(27,910)	(19,444)	(27,910)	(19,444)
Total equity at the end of the financial year		135,727	142,642	117,441	125,610

	Country of incorporation	Percentage ownership interest	
		2005	2004
24. Investment in controlled entities			
Parent entity			
GUD Holdings Limited	Australia		
Controlled entities			
GUD Automotive Pty Ltd	Australia	100	100
Goss Products Pty Ltd	Australia	100	100
GUD Investments Pty Ltd	Australia	100	100
GUD Europe Limited	United Kingdom	100	100
GUD (N.Z.) Limited	New Zealand	100	100
Davey Products NZ Limited	New Zealand	100	100
Davey Administration Pty Ltd	Australia	100	100
Davey Products Pty Ltd	Australia	100	100
Wesfil Australia Pty Ltd	Australia	100	100
Heavy Duty Filters Pty Ltd	Australia	100	100
Lock Focus Pty Ltd	Australia	100	100
Sunbeam Victa Holdings Limited	Australia	100	100
Sunbeam Victa Corporation Limited	Australia	100	100
Sunbeam Corporation Limited	Australia	100	100
Sunbeam Administration Services Pty Ltd	Australia	100	100
Victa Lawncare Pty Ltd	Australia	100	100
Victa Limited	Australia	100	100
Sunbeam Overseas Holdings Australia Pty Ltd	Australia	100	100
Sunbeam Corporation Limited	New Zealand	100	100
Spa-Quip Ltd	New Zealand	100	100
Spa-Quip (Australia) Pty Ltd	Australia	100	100
Contamination Control Ltd	New Zealand	100	–
Davey Pumps Inc	USA	100	–

All overseas controlled entities are audited by an associate firm of Deloitte Touche Tohmatsu Australia. All controlled entities carry on business only in the country of incorporation.

All operating wholly-owned controlled Australian entities with the exception of Spa-Quip (Australia) Pty Ltd are relieved from the requirement to prepare audited financial reports under the Australian Securities and Investments Commission Class Order 98/1418, as they are parties to a deed of cross guarantee with GUD Holdings Limited. The consolidated statement of financial performance and statement of financial position of the entities which are parties to the deed of cross guarantee and are part of the closed group are as follows:

Notes to the Financial Statements

	2005 \$'000	2004 \$'000
24. Investment in controlled entities (continued)		
Statement of financial performance		
Revenue from ordinary activities	357,609	373,763
Borrowing costs	(3,155)	(1,800)
Other expenses from ordinary activities	(316,175)	(311,911)
Profit from ordinary activities before related income tax expense	38,279	60,052
Income tax expense relating to ordinary activities	(12,076)	(15,023)
Net profit from ordinary activities after related income tax expense	26,203	45,029
Retained profits at the beginning of the financial year	45,349	19,764
Dividends provided for or paid	(27,910)	(19,444)
Retained profits at the end of the financial year	43,642	45,349
Statement of financial position		
<i>Current assets</i>		
Cash assets	15,440	25,557
Receivables	42,815	44,213
Inventories	52,868	57,685
Other	3,525	3,967
Total current assets	114,648	131,422
<i>Non-current assets</i>		
Other financial assets	18,693	17,509
Property, plant and equipment	20,107	28,391
Intangible assets	44,474	44,447
Deferred tax assets	1,592	2,313
Other	7,946	4,038
Total non-current assets	92,812	96,698
Total assets	207,460	228,120
<i>Current liabilities</i>		
Payables	27,225	35,396
Interest-bearing liabilities	10,807	10,415
Current tax liabilities	3,716	8,781
Provisions	8,143	12,706
Total current liabilities	49,891	67,298
<i>Non-current liabilities</i>		
Interest-bearing liabilities	13,042	7,135
Deferred tax liabilities	–	62
Provisions	2,448	1,613
Total non-current liabilities	15,490	8,810
Total liabilities	65,381	76,108
Net assets	142,079	152,012
Contributed equity	98,437	106,663
Reserves	–	–
Retained profits	43,642	45,349
Total equity	142,079	152,012

25. Specified Director and Specified Executive Disclosures

Directors' and Executives' remuneration

The specified Directors of GUD Holdings Limited during the year were:

- C K Hall (Chairman, Non-Executive)
- P G Thomas (Non-Executive)
- G D W Curlewis (Non-Executive)
- R M Herron (Non-Executive)
- I A Campbell (Managing Director)
- R J Wodson (Finance Director)

The specified Executives of GUD Group during the year were:

- J Lord (Chief Executive – Sunbeam Corporation Ltd – Australia)
- R Pattison (Managing Director – GUD Automotive Pty Ltd)
- D Cleland (Managing Director – Davey Products Pty Ltd)
- A King (Chief Executive – Victa Lawncare Pty Ltd)
- D Cox (Managing Director – Lock Focus Pty Ltd)

Specified Directors' and specified Executives' remuneration

The Remuneration Committee reviews the remuneration packages of all specified Directors and specified Executives on an annual basis and makes recommendations to the Board. Remuneration packages are reviewed and determined with due regard to current market rates and are benchmarked against comparable industry salaries, adjusted by a performance factor to reflect changes in the performance of the Company.

Year	Primary Benefits			Post Employment Benefits		Equity	Other components			Total	Proportion of total which is performance related	Accumulated retirement benefit at 30 June
	Salary and Fees	STI Cash Bonus	LTI Cash Bonus	Superannuation	Retirement		Value of options	Income Protection Premium	Car Benefits			
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	\$
Specified Directors												
<i>Non-Executive</i>												
C K Hall (Chairman)	2005	125,000	–	–	11,250	92,900	–	–	–	229,150	–	228,900
	2004	63,319	–	–	5,699	36,000	–	–	–	105,018	–	136,000
P G Thomas	2005	50,000	–	–	4,500	32,800	–	–	–	87,300	–	114,400
	2004	50,000	–	–	4,500	81,600	–	–	–	136,100	–	81,600
G D W Curlewis	2005	50,000	–	–	4,500	85,800	–	–	–	140,300	–	85,800
	2004	50,000	–	–	4,500	–	–	–	–	54,500	–	–
R M Herron	2005	67,490	–	–	6,080	–	–	–	–	73,570	–	–
	2004	–	–	–	–	–	–	–	–	–	–	–
<i>Executive</i>												
I A Campbell (Managing Director)	2005	431,080	–	450,000	79,851	–	–	5,843	55,076	1,021,850	44%	–
	2004	431,080	356,250	375,000	85,500	–	–	1,357	54,789	1,303,976	56%	–
R J Wodson (Finance Director)	2005	290,160	–	87,048	43,520	–	–	3,569	24,196	448,493	19%	–
	2004	279,000	125,500	83,750	50,220	–	2,278	870	16,816	558,434	37%	–
Total all specified Directors	2005	1,013,730	–	537,048	149,701	211,500	–	9,412	79,272	2,000,663		429,100
	2004	873,399	481,750	458,750	150,419	117,600	2,278	2,227	71,605	2,158,028		217,600

Contracts for services

I A Campbell and R J Wodson have entered into service contracts. These contracts may be terminated by either party giving three months notice or such other mutually agreed period of notice, in writing. I A Campbell has a 12 month contract and R J Wodson a 24 month contract from 1 July 2005. Further details of these contracts are set out in the Remuneration Report included in the Directors' Report. In the event that the Company determines not to renew the appointment, an amount equal to the total annual package applicable at the date of the notice is payable within 30 days after the end of the contract period.

Other specified Executives have employment contracts specifying a one-month termination notice.

All specified Executive Directors and specified Executives participate in the short-term incentive scheme whereby incentive bonuses are paid on achieving or exceeding cash value added targets. They also participate in a long-term incentive scheme based upon achieving or exceeding a total shareholder return (TSR) which equals or exceeds the median TSR of a comparator group. The salary and fees are determined taking into account the advice of independent consultants and amounts necessary to remain competitive in the marketplace.

Notes to the Financial Statements

25. Specified Director and Specified Executive Disclosures (continued)

Directors' and Executives' remuneration (continued)

	Year	Primary Benefits			Post Employment Benefits	Other components		Total \$	Proportion of total which is performance related %
		Salary and Fees \$	STI Cash Bonus \$	LTI Cash Bonus \$	Superannuation \$	Income Protection Premium \$	Car Benefits \$		
Specified Executives									
J Lord (Chief Executive – Sunbeam Corporation Ltd)	2005	218,400	54,600	38,875	28,392	1,177	20,532	361,976	26%
	2004	208,000	78,000	46,800	40,212	648	19,914	393,574	32%
R Pattison (Managing Director – GUD Automotive Pty Ltd)	2005	199,440	64,616	–	36,000	2,533	24,422	327,011	20%
	2004*	50,476	–	–	8,727	–	–	59,203	–
D Cleland (Managing Director – Davey Products Pty Ltd)	2005	184,424	–	36,691	37,103	2,535	41,511	302,264	12%
	2004	192,313	58,221	44,595	37,005	618	39,201	371,953	28%
A King (Chief Executive – Victa Lawncare Pty Ltd)	2005	158,568	–	34,062	48,877	2,353	25,544	269,404	13%
	2004	175,216	46,000	41,400	23,920	573	32,892	320,001	27%
D Cox (Managing Director – Lock Focus Pty Ltd)	2005	143,864	–	26,953	34,816	1,862	20,808	228,303	12%
	2004	134,282	37,374	32,760	33,768	454	21,700	260,338	27%
Total all specified Executives	2005	904,696	119,216	136,581	185,188	10,460	132,817	1,488,958	
	2004	760,287	219,595	165,555	143,632	2,293	113,707	1,405,069	

* Mr Pattison was appointed on 5 April 2004.

The STI cash bonus is for performance using the criteria set out in the Remuneration Report as part of the Directors' Report.

The amount was determined on 7 July 2005 after CVA performance was calculated in accordance with levels approved by the Board.

The LTI cash bonus was determined on 7 July 2005 and calculated in accordance with the equity share price performance in accordance with the comparator group details of which are set out in the Remuneration Report.

Analysis of bonuses included in remuneration

Analysis of bonuses included in remuneration as a percentage of base salary	Short-Term Incentive 2004/2005			Long-Term Incentive 2004/2005		
	Maximum on achieving 120% of agreed CVA	% vested in year	% forfeited	Maximum on achieving 75th percentile or above of comparator group	% vested in year	% forfeited
Executive Directors						
I A Campbell (Managing Director)	75%	–	75%	95%	95%	–
R J Wodson (Finance Director)	45%	–	45%	30%	30%	–
Executives (Group)						
J Lord (Chief Executive – Sunbeam Corporation Ltd)	37.5%	25.0%	12.5%	22.5%	17.8%	4.7%
R Pattison (Managing Director – GUD Automotive Pty Ltd)	37.5%	31.4%	6.1%	22.5%	–	22.5%
D Cleland (Managing Director – Davey Products Pty Ltd)	37.5%	–	37.5%	22.5%	17.8%	4.7%
A King (Chief Executive – Victa Lawncare Pty Ltd)	37.5%	–	37.5%	22.5%	17.8%	4.7%
D Cox (Managing Director – Lock Focus Pty Ltd)	37.5%	–	37.5%	22.5%	17.8%	4.7%

Amounts vested are based on achieving maximum performance criteria as set out in the Remuneration Report.

Amounts forfeited are due to not achieving maximum performance criteria of agreed targets.

25. Specified Director and Specified Executive Disclosures (continued)**Directors' and Executives' remuneration (continued)***Transactions with specified Directors*

The sale and purchase of goods and services with specified Directors are made under normal customer and supplier relationships and on normal commercial terms and conditions. The sale of goods made to specified Directors are no more favourable than made available to other employees.

At 30 June 2005, the specified Directors and specified Executives held directly, indirectly or beneficially 424,400 ordinary shares (2004: 603,670) in the Company. Executive share options of 50,000 were also held in the Company for the 2004 year only.

Specified Directors' and specified Executives' equity holdings

	Balance at 01/07/04 No.	Received on exercise of options No.	Net other change No.	Balance at 30/06/05 No.
Fully paid ordinary shares issued by GUD Holdings Ltd	No.	No.	No.	No.
Specified Directors				
<i>Non-Executive</i>				
C K Hall (Chairman)	60,000	–	10,000	70,000
P G Thomas	10,000	–	–	10,000
G D W Curlewis	10,000	–	–	10,000
R M Herron	–	–	10,000	10,000
<i>Executive</i>				
I A Campbell (Managing Director)	500,000	–	(250,000)	250,000
R J Wodson (Finance Director)	10,000	50,000	–	60,000
Specified Executives				
J Lord (Chief Executive – Sunbeam Corporation Ltd)	–	–	–	–
R Pattison (Managing Director – GUD Automotive Pty Ltd)	–	–	–	–
D Cleland (Managing Director – Davey Products Pty Ltd)	4,000	–	–	4,000
A King (Chief Executive – Victa Lawncare Pty Ltd)	9,670	–	730	10,400
D Cox (Managing Director – Lock Focus Pty Ltd)	–	–	–	–
	603,670	50,000	(229,270)	424,400

Notes to the Financial Statements

25. Specified Director and Specified Executive Disclosures (continued)

Directors' and Executives' remuneration (continued)

Share options issued by GUD Holdings Limited	Balance at 01/07/04 No.	Exercised No.	Balance at 30/06/05 No.	Balance vested at 30/06/05 No.	Vested and exercisable No.	Options vested during the year No.
Specified Directors						
<i>Non-Executive</i>						
C K Hall (Chairman)	–	–	–	–	–	–
P G Thomas	–	–	–	–	–	–
G D W Curlewis	–	–	–	–	–	–
R M Herron	–	–	–	–	–	–
<i>Executive</i>						
I A Campbell (Managing Director)	–	–	–	–	–	–
R J Wodson (Finance Director)	50,000	(50,000)*	–	–	–	50,000
Specified Executives						
J Lord (Chief Executive – Sunbeam Corporation Ltd)	–	–	–	–	–	–
R Pattison (Managing Director – GUD Automotive Pty Ltd)	–	–	–	–	–	–
D Cleland (Managing Director – Davey Products Pty Ltd)	–	–	–	–	–	–
A King (Chief Executive – Victa Lawncare Pty Ltd)	–	–	–	–	–	–
D Cox (Managing Director – Lock Focus Pty Ltd)	–	–	–	–	–	–
	50,000	(50,000)	–	–	–	50,000

* The fair value of the options exercised is disclosed at Note 27.

Wesfil Australia Pty Ltd leases its Sydney premises from a Director of Wesfil Australia Pty Ltd. The lease arrangement is of a commercial nature and will expire on 30 June 2006. Net rental expense was \$217,920 (2004: \$205,584).

26. Acquisition of business

Davey Products NZ Limited, which is ultimately controlled by the parent company GUD Holdings Limited, acquired the business of Contamination Control on 29 April 2005 for cash consideration of A\$6.337 million (2004: acquired 100% of Spa-Quip Ltd for cash consideration of A\$9.846 million).

Contamination Control assembles and distributes water purification systems and products for the domestic and commercial market.

Only the operating results from the acquisition date have been included in the consolidated net profit.

Details of the acquisition are as follows:

	Consolidated	
	2005 \$'000	2004 \$'000
Consideration		
Cash	6,337	9,846
Fair value of assets acquired		
Cash	–	520
Receivables	–	3,845
Other debtors and prepayments	67	–
Inventories	1,520	4,024
Property, plant and equipment	263	1,486
Interest-bearing liabilities	–	(5,436)
Provisions and payables	–	(3,453)
Net assets acquired	1,850	986
Goodwill on acquisition	4,487	8,860
	6,337	9,846
Net cash outflow on acquisition		
Cash consideration	6,337	9,846
Less cash balances acquired	–	(520)
	6,337	9,326

Notes to the Financial Statements

27. Executive Share Option Scheme

The consolidated entity has an ownership based remuneration scheme for executives – the 'Executive Share Option Scheme'.

In accordance with the provisions of the scheme, as approved by the Remuneration Committee of the Board, executives are granted options to purchase parcels of ordinary shares. These options can only be exercised after the expiration of three years from the date of grant and then only to the extent that the shares of the Company meet the performance hurdles relating to the ASX All Industrials Index.

	2005 No.	2004 No.
Executive Share Option Scheme		
Balance at the beginning of the financial year (i)	50,000	780,000
Exercised during the financial year (ii)	(50,000)	(730,000)
Balance at the end of the financial year (iii)	–	50,000

(i) Balance at the beginning of the financial year

Year	Grant Date	No. of Options	Vested* No.	Unvested No.	Exercise price	Exercise Period from to	
2005	22 May 2001	50,000	50,000	–	\$1.70	22/05/04	21/05/11
2004	12 November 1999	500,000	500,000	–	\$1.49	12/11/02	11/11/09
	7 March 2000	100,000	100,000	–	\$1.40	07/03/03	06/03/10
	12 October 2000	130,000	–	130,000	\$1.83	12/10/03	11/10/10
	22 May 2001	50,000	–	50,000	\$1.70	22/05/04	21/05/11
		780,000	600,000	180,000			

(ii) Exercised during the financial year

Year	Grant Date	No. of Options	No. of Shares Issued	Exercise price	Exercise date	Exercise Period from to		Fair value received	Fair value of shares at date of issue
2005	22 May 2001	50,000	50,000	\$1.70	10/08/04	22/05/04	21/05/11	\$85,000	\$493,000
2004	12 November 1999	500,000	500,000	\$1.49	06/11/03	12/11/02	11/11/09	\$745,000	\$3,125,000
	7 March 2000	100,000	100,000	\$1.40	06/08/03	07/03/03	06/03/10	\$140,000	\$560,000
	12 October 2000	130,000	130,000	\$1.83	21/10/03	12/10/03	11/10/10	\$237,900	\$804,700
		730,000	730,000					\$1,122,900	\$4,489,700

(iii) Balance at the end of the financial year (2005: Nil)

Year	Grant Date	No. of Options	Vested* No.	Unvested No.	Exercise price	Exercise Period from to	
2004	22 May 2001	50,000	50,000	–	\$1.70	22/05/04	21/05/11

* Vested during the respective financial years.

All executive share options carry no dividend and voting rights.

Unless approved by the Board of Directors, all options expire on the earlier of their expiry date or termination of the employee's employment. In addition, the ability to exercise the options is conditional on the Company achieving certain performance hurdles.

	Consolidated		GUD Holdings Limited	
	2005	2004	2005	2004
	\$	\$	\$	\$
28. Auditors' remuneration				
Audit services:				
The auditor of GUD Holdings Limited is Deloitte Touche Tohmatsu				
– audit and review of financial reports	238,450	221,700	44,494	37,600
Overseas Deloitte Touche Tohmatsu firms:				
– audit and review of financial reports	54,296	37,171	–	–
	292,746	258,871	44,494	37,600
Other non-audit services:				
The auditor of GUD Holdings Limited is Deloitte Touche Tohmatsu				
– IFRS scoping study	25,325	–	25,325	–
– sales tax advice	–	15,132	–	–
– general tax advice	55,591	53,462	974	–
	80,916	68,594	26,299	–

	Consolidated		GUD Holdings Limited	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
29. Notes to the statement of cash flows				
Reconciliation of profit from ordinary activities after income tax to net cash provided by operating activities				
Profit from ordinary activities after income tax	28,919	35,526	27,667	24,215
Depreciation and amortisation	9,702	11,864	7	10
Write-down of non-current assets	8,157	–	–	–
Net loss on sale of non-current assets	642	324	–	–
Changes in assets and liabilities:				
(Increase) decrease in net tax asset	(4,196)	4,432	2,622	(333)
(Increase) decrease in inventories	743	(2,489)	–	–
(Increase) decrease in receivables	1,516	3,632	(498)	214
Decrease in other assets	816	3,038	–	–
Increase (decrease) in provisions	(6,414)	(1,564)	(12)	224
Increase (decrease) in accounts payable	(5,140)	(5,334)	(561)	308
Net cash provided by operating activities	34,745	49,429	29,225	24,638

30. Commitments for expenditure**Capital expenditure commitments****Plant and equipment**

Contracted but not provided for and payable:

Within 1 year	174	1,010	–	–
Between 1 and 5 years	–	175	–	–
Later than 5 years	–	–	–	–
	174	1,185	–	–

Non-cancellable operating lease expense commitments

Future operating lease commitments not provided for in the financial statements and payable:

Within 1 year	7,112	6,394	21	21
Between 1 and 5 years	16,225	13,742	28	49
Later than 5 years	5,947	7,266	–	–
	29,284	27,402	49	70

Notes to the Financial Statements

30. Commitments for expenditure (continued)

The Company and consolidated entity lease a number of premises throughout Australia and New Zealand. The rental period of each individual lease agreement varies between one and ten years with renewal options ranging from one to five years.

The majority of lease agreements are subject to rental adjustments in line with movements in the Consumer Price Index or market rentals. The leases do not include an option to purchase the leased assets at the expiry of the lease period.

The Company and consolidated entity lease the majority of its motor vehicles from external suppliers over a lease period of up to four years with payments being monthly. At the end of the lease period there are a number of options available with respect to the motor vehicles, none of which include penalty charges.

	Note	Consolidated		GUD Holdings Limited	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Finance lease payment commitments					
<i>Plant and equipment</i>					
Finance lease commitments are payable:					
Within 1 year		1,031	524	–	–
Between 1 and 5 years		3,247	2,314	–	–
Later than 5 years		88	153	–	–
		4,366	2,991	–	–
Less: Future lease finance charges		(473)	(441)	–	–
		3,893	2,550	–	–
Lease liabilities provided for in the financial statements:					
Current	16(a)	817	415	–	–
Non-current	16(b)	3,076	2,135	–	–
Total lease liability		3,893	2,550	–	–

The consolidated entity leases production plant and equipment under finance leases expiring from three to 12 years.

At the end of the lease term, the consolidated entity has the option to purchase the equipment at the agreed residual amount or renegotiate an extension to the finance lease.

31. Related parties

Directors

Details of Directors' remuneration and other Director-related transactions are disclosed in Note 25.

Transactions with entities in the wholly-owned Group

GUD Holdings Limited is the ultimate parent entity in the wholly-owned Group comprising the Company and its wholly-owned controlled entities, as disclosed in Note 24.

The Company advanced loans, rented premises, received dividends and provided accounting and administrative assistance to other entities in the wholly-owned Group during the current and previous financial years.

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

These transactions were on commercial terms and conditions.

Amounts receivable from and payable to entities in the wholly-owned Group are disclosed in Notes 4 and 8. Loans between entities in the wholly-owned Group are repayable at call.

Interest, dividend and rent revenue derived by the entity from entities in the wholly-owned Group is disclosed in Note 2.

32. Financial instruments

(a) Interest rate risk

The consolidated entity enters into interest rate swaps and options to manage cash flow risks associated with the interest rates on borrowings that are floating.

Interest rate swaps and options

The consolidated entity, from time to time, enters into interest rate swaps and options, with expiration terms ranging out to five years, to protect part of the loans from exposure to increasing interest rates. Interest rate swaps allow the consolidated entity to swap floating rate borrowings into fixed rates. Maturities of swap contracts are principally between two and five years.

At 30 June 2005, the fixed rates and options varied from 5.25% to 7.00% (2004: 5.40% to 7.00%) and the floating interest rate at 30 June 2005 was 5.67% (2004: 5.60%).

Interest rate risk exposures

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

	Note	Weighted average interest rate	Floating interest rate \$'000	Fixed interest maturing in:		Non-interest bearing \$'000	Total \$'000
				Less than 1 year \$'000	1 to 5 years \$'000		
2005							
<i>Financial assets</i>							
Cash	7	5.17%	23,303	–	–	–	23,303
Receivables	8	–	–	–	–	50,029	50,029
			23,303	–	–	50,029	73,332
<i>Financial liabilities</i>							
Bank overdrafts and loans	16	5.85%	56,996	–	–	–	56,996
Accounts payable	15	–	–	–	–	32,754	32,754
Finance lease liabilities	16	6.34%	–	817	3,076	–	3,893
Employee benefits	20	–	–	–	–	8,560	8,560
Interest rate swaps (notional principal amounts)		6.16%	(38,810)	5,000	33,810	–	–
			18,186	5,817	36,886	41,314	102,203
Net financial assets (liabilities)			5,117	(5,817)	(36,886)	8,715	(28,871)
Interest rate swaps and options commencing after 30 June 2005							
Interest rate swaps (notional principal amounts)		5.90%	(5,000)	5,000	–	–	–
Interest rate collar (notional principal amounts)		5.25% – 6.50%	(5,000)	–	5,000	–	–

Notes to the Financial Statements

32. Financial instruments (continued)

(a) Interest rate risk (continued)

	Note	Weighted average interest rate	Floating interest rate \$'000	Fixed interest maturing in:		Non-interest bearing \$'000	Total \$'000
				Less than 1 year \$'000	1 to 5 years \$'000		
2004							
<i>Financial assets</i>							
Cash	7	5.00%	29,708	–	–	–	29,708
Receivables	8	–	–	–	–	51,121	51,121
			29,708	–	–	51,121	80,829
<i>Financial liabilities</i>							
Bank overdrafts and loans	16	5.60%	44,756	–	–	–	44,756
Accounts payable	15	–	–	–	–	37,894	37,894
Finance lease liabilities	16	6.24%	–	415	2,135	–	2,550
Employee benefits	20	–	–	–	–	9,663	9,663
Interest rate swaps (notional principal amounts)		5.93%	(29,578)	9,578	20,000	–	–
			15,178	9,993	22,135	47,557	94,863
Net financial assets (liabilities)			14,530	(9,993)	(22,135)	3,564	(14,034)

Interest rate swaps and options commencing after 30 June 2004

Interest rate swaps (notional principal amounts)	5.90%	(5,000)	–	5,000	–	–
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(b) Foreign exchange risk

The consolidated entity enters into forward foreign exchange contracts and foreign currency options to hedge certain anticipated purchase commitments denominated in foreign currencies (principally in US dollars). The terms of these commitments are rarely more than one year.

The consolidated entity's desired risk profile is for anticipated material foreign currency commitments to be covered. The amount of foreign exchange cover is based on anticipated future purchases, sales and loan commitments in light of current conditions in foreign markets, commitments from customers and experience. All material capital purchases in a foreign currency must have forward foreign exchange cover at time of order.

At balance date, the details of outstanding contracts due for maturity within one year are (Australian dollar equivalents):

	Consolidated		Principal amount	
	Average exchange rate 2005	2004	2005 \$'000	2004 \$'000
Buy United States dollars	0.7647	0.6911	25,847	19,898
Buy Japanese Yen	80.2884	77.9530	9,400	222
Buy European Euro	0.6050	0.5758	439	890
Buy Australian dollars (NZ entities)	0.9337	0.8913	200	370

(c) Credit risk exposures

The carrying amounts of financial assets included in the consolidated statement of financial position represent the consolidated entity's maximum exposure to credit risk in relation to these assets. The consolidated entity does not have any significant exposure to any individual customer or counterparty; however, approximately 90% of credit risk on trade debtors is to retail sector customers.

Credit risk on off-balance sheet derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

A material exposure arises from forward exchange contracts that are subject to credit risk in relation to the relevant counterparties. A counterparty must have either Standard & Poor's or Moody's long-term rating of at least 'A' or 'A1' respectively. The maximum credit risk exposure on foreign currency contracts is the full amount of the foreign currency the consolidated entity pays when settlement occurs should the counterparty fail to pay the amount which it is committed to pay the consolidated entity. The full amount of the exposure is disclosed in Note 32(b).

32. Financial instruments (continued)**(d) Net fair values of financial assets and liabilities**

The carrying amount of financial assets and liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in Note 1.

The net fair value of off-balance sheet financial instruments held as at the reporting date are:

	Consolidated	
	2005	2004
	\$'000	\$'000
Interest rate swaps and options: Gain/(Loss)	(29)	17

33. Earnings per share

	2005	2004
	Number	Number
Weighted average number of shares used as the denominator		
Number for basic earnings per share – ordinary shares	60,506,814	60,771,906
Shares deemed to be issued for no consideration in respect of executive share options ⁽¹⁾	9,119	385,944
Number for diluted earnings per share	60,515,933	61,157,850

⁽¹⁾ Executive share options are considered to be potential ordinary shares and are therefore excluded from the weighted average number of ordinary shares used in the calculation of basic earnings per share. Where dilutive, potential ordinary shares are included in the calculation of diluted earnings per share.

	2005	2004
	\$'000	\$'000
Basic earnings per share		
Earnings used as the numerator in the calculation of basic EPS	28,919	35,526
Diluted earnings per share		
Earnings used as the numerator in the calculation of diluted EPS	28,919	35,526
The weighted average number of cancelled or lapsed potential ordinary shares included in the calculation of diluted EPS	38,587	285,490

Notes to the Financial Statements

	Consolidated		GUD Holdings Limited	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
34. Contingent liabilities				
As detailed in Note 24, the Company has entered into a deed of cross guarantee with certain wholly-owned controlled entities. The total liabilities of these wholly-owned controlled entities (excluding amounts owed to the Company) are:	–	–	40,256	59,383

Environmental remediation – Campsie NSW

Remediation works at the former Sunbeam Campsie manufacturing site have now been completed and a final clearance received from the Department of Environment and Conservation (NSW).

35. Events subsequent to balance date

Dividend declared

On 27 July 2005, the Board of Directors declared a fully franked dividend of 27 cents per ordinary share. Record date is 26 August 2005 and the dividend will be paid on 9 September 2005.

Acquisition of entity

Since 30 June 2005, the Company has acquired 100% of the shares in E D Oates Holdings Pty Ltd, a manufacturer and importer of cleaning products, for a cash consideration of \$35.9 million and took control on 1 July 2005. The cash purchase consideration is subject to post-completion adjustments and the final adjusted consideration is expected to be \$35 million.

The financial effects of the above transaction have not been brought to account in the financial statements for the year ended 30 June 2005.

Australian Equivalents to International Financial Reporting Standards

For the reporting periods beginning on or after 1 January 2005 the consolidated entity must comply with Australian Equivalents to International Financial Reporting Standards (A-IFRS) as issued by the Australian Accounting Standards Board. The implementation plan and potential impact of adopting A-IFRS is disclosed in Note 1 to the financial statements.

Directors' Declaration

The Directors declare that:

- (a) the attached financial statements and notes thereto comply with Accounting Standards;
- (b) the attached financial statements and notes thereto give a true and fair view of the financial position and performance of the Company and the consolidated entity;
- (c) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001; and
- (d) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

At the date of this declaration, the Company is within the class of companies affected by ASIC Class Order 98/1418. The nature of the Deed of Cross Guarantee is such that each company which is a party to the deed guarantees to each creditor payment in full of any debt in accordance with the Deed of Cross Guarantee.

In the Directors' opinion, there are reasonable grounds to believe that the Company and the subsidiary companies identified in Note 24 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the Deed of Cross Guarantee.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001 from the Chief Executive Officer and the Chief Financial Officer for the financial year ended 30 June 2005.

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

On behalf of the Directors



C K Hall
Director



I A Campbell
Director

Melbourne
27 July 2005

Independent Audit Report to the members of GUD Holdings Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both GUD Holdings Limited (the company) and the consolidated entity, for the financial year ended 30 June 2005. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the Corporations Act 2001 and Accounting Standards and other mandatory professional reporting requirements in Australia so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

The audit opinion expressed in this report has been formed on the above basis.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit Opinion

In our opinion, the financial report of GUD Holdings Limited is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2005 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

J. A. Watson
D A WATSON
Partner
Chartered Accountants
Melbourne, 27 July 2005

The Board of Directors
GUD Holdings Limited
245 Sunshine Road
TOTTENHAM VIC 3012
27 July 2005

Dear Board Members

GUD Holdings Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of GUD Holdings Limited.

As lead audit partner for the audit of the financial statements of GUD Holdings Limited for the year ended 30 June 2005, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely,

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

D. A. Watson

D A WATSON
Partner
Chartered Accountants

Additional Shareholder Information

The issued shares of the Company are of the one class with equal voting rights and are all quoted on the Australian Stock Exchange.

Distribution of Shareholdings as at 10 August 2005

Shares held	No. of shareholders	%	Shares	%
1 – 1,000	4,236	35.31	2,791,779	4.66
1,001 – 5,000	6,131	51.11	15,337,724	25.60
5,001 – 10,000	1,059	8.83	7,996,968	13.35
10,001 – 100,000	536	4.47	11,374,877	18.98
100,001 and over	33	0.28	22,414,816	37.41
Total	11,995	100.00	59,916,164	100.00

There are 79 shareholders holding less than a marketable parcel of shares. A marketable parcel is \$ 500.00

The Twenty Largest Shareholders as at 10 August 2005

	Number of Shares	%
National Nominees Limited	4,113,240	6.86
JPMorgan Nominees Australia Limited	4,081,969	6.81
RBC Global Services Australia Nominees Pty Limited (PIPOOLED a/c)	2,126,326	3.55
Australian Foundation Investment Company Limited	2,000,000	3.34
ARGO Investments Limited	1,320,000	2.20
ANZ Nominees Limited (Cash Income a/c)	1,229,926	2.05
Westpac Custodian Nominees Limited	1,112,662	1.86
RBC Global Services Australia Nominees Pty Limited (PIIC a/c)	739,805	1.23
ANZ Nominees Limited	517,482	0.86
Citicorp Nominees Pty Limited (CFSIL CFS WS Small Comp a/c)	496,045	0.83
Cogent Nominees Pty Limited	495,880	0.83
AMP Life Limited	482,625	0.81
UBS Private Clients Australia Nominees Pty Ltd	424,840	0.71
Citicorp Nominees Pty Limited	421,296	0.70
RBC Global Services Australia Nominees Pty Limited (BKCUST a/c)	283,494	0.47
Mr Ian Alistair Campbell	250,000	0.42
Benefund Limited	220,000	0.37
Mrs Jillian Anita Cobcroft	209,100	0.35
HSBC Custody Nominees (Australia) Limited–GSI EDA	200,000	0.33
Health Super Pty Ltd	187,480	0.31

Substantial Shareholders of GUD Holdings Limited

As at 10 August 2005, the current notices of substantial shareholders were:

	Number of Shares	%
Perpetual Trustees Australia Limited	5,985,221	9.99%

Shareholder Services and Information

Dividends/Dividend Reinvestment Plan

The Dividend Reinvestment Plan ('DRP') remains suspended.

Direct Payments to a Bank, Building Society or Credit Union

Shareholders are encouraged to have cash dividends paid directly into any bank, building society or credit union account in Australia.

Uncertificated Issuer Sponsored Holdings

In August 1997, the Company moved to uncertificated holdings under the Australian Stock Exchange CHESS system. Share certificates are no longer issued and shareholders receive regular statements of their holdings under the Company-sponsored scheme.

Stock Exchange Listing

GUD is listed on the Australian Stock Exchange under the name GUD and under the code GUD.

Change of Address or Name

It is important that shareholders notify the Company or the share registry in writing immediately if there is a change in their address or name. For the protection of shareholders, instructions to the Company need to be in writing and indicate the shareholder's reference number ('SRN').

Share Holding Consolidation

Shareholders are encouraged to consolidate shareholding into one name and identification number. Application should be made to the share registry – Computershare Investor Services Pty Limited (see address below).

Annual Report Mailing List

Shareholders who do not wish to receive reports should advise the share registry in writing. Shareholders will continue to receive all other shareholder information, including Notice of Annual General Meeting and Proxy Forms.

The Annual Report may be viewed on the Company's website at www.gud.com.au.

Tax File Number ('TFN')

While it is not compulsory for shareholders to provide a TFN, the Company is obliged to deduct tax from non-fully franked dividends paid to residents in Australia who have not supplied such information.

Enquiries

Shareholders with questions about their shareholding should contact Computershare Investor Services Pty Limited who maintain the share register on behalf of the Company.

Enquiries should be addressed to:

Computershare Investor Services Pty Limited

Enquiries within Australia: 1300 850 505

Enquiries outside Australia: +61 3 9415 4000

Investor enquiries facsimile number: +61 3 9473 2500

Yarra Falls, 452 Johnston Street, Abbotsford Vic 3067

Postal address: GPO Box 2975 Melbourne Vic 3001

Website: www.computershare.com

Email: web.queries@computershare.com.au

Shareholders are able to obtain updated information and recent announcements concerning the Company by visiting the website at Corporatefile at www.corporatefile.com.au – open briefings GUD Holdings or the Company's website at www.gud.com.au.

Financial Summary and Ratios

	2005 \$ millions	2004 \$ millions	2003 \$ millions	2002 \$ millions	2001 \$ millions
Sales & Profitability					
Sales Revenue	394.4	393.8	372.4	365.9	341.2
Trading EBITA*					
Consumer Products	30.9	37.2	22.8	17.2	11.0
Automotive Products	17.7	18.8	15.4	13.2	9.7
Water Products	11.1	8.6	7.7	5.9	4.8
Security Products	2.7	2.8	1.8	2.4	1.8
Unallocated	1.1	(0.2)	(0.2)	(0.9)	(0.7)
Total Trading EBITA*	63.5	67.1	47.5	37.8	26.6
Net Trading Profit Before Tax*	54.9	60.2	40.6	29.6	18.6
Net Trading Profit After Tax*	37.8	41.7	27.4	20.8	11.6
Individually Significant Items Before Tax	(12.6)	(8.9)	(7.0)	(20.5)	(1.5)
Net Profit Before Tax	42.2	51.3	33.6	9.1	17.2
Net Profit After Tax	28.9	35.5	21.8	6.4	10.7
Cash Flow					
Gross Operating Cash Flow	34.7	49.4	41.5	35.7	13.2
Free Cash Flow [#]	25.6	34.1	42.6	67.9	7.8
Financial Position					
Current Assets	144.9	152.0	137.3	131.2	146.7
Current Liabilities	75.8	90.2	79.2	68.1	82.4
Net Debt	37.6	17.6	20.9	38.0	73.0
Net Tangible Assets	74.2	84.7	76.0	70.6	72.3
Total Equity	135.7	142.6	126.8	121.7	130.8
	2005	2004	2003	2002	2001
Per Share Performance					
Earnings Per Share* (cents)	63.0	68.6	45.3	33.7	17.9
Earnings Per Share (cents)	47.8	58.5	35.7	10.1	16.1
Dividends Declared per Share (cents)	50.0	40.0	26.0	16.5	15.0
% Franked	100%	100%	100%	55%	100%
Payout Ratio*	79.3%	58.3%	57.4%	49.0%	83.9%
NTA per Share (\$)	\$1.24	\$1.39	\$1.26	\$1.14	\$1.11
Share Statistics (at 30 June each year)					
Total Shares on Issue – millions	59.9	60.9	60.4	61.7	65.1
Closing Share Price \$	6.25	8.88	4.71	3.35	1.74
Market Capitalisation – millions	374.5	540.5	284.6	206.6	113.2
Key Ratios					
Trading EBITA/Sales*	16.1%	17.0%	12.8%	10.3%	7.8%
Return on Capital Employed*	21.8%	26.0%	18.5%	13.0%	5.7%
Return on Equity*	27.8%	29.3%	21.6%	17.1%	8.9%
Return on Assets*	17.1%	18.5%	13.0%	9.5%	4.6%
Debt/Total Capital	21.7%	11.0%	14.1%	23.8%	35.8%
Net Debt/Market Capitalisation	10.0%	3.3%	7.3%	18.4%	64.5%
CVA Return*	18.1%	21.2%	16.5%	13.1%	9.9%
Working Capital [^] /Sales	20%	17%	15%	17%	25%
Capital Expenditure/Depreciation and Amortisation	115%	98%	100%	87%	47%
Interest Cover (times)*	16.4	27.7	12.7	7.2	4.1

* Trading results exclude individually significant Items.

Free Cash Flow is EBIT, depreciation and amortisation, less tax paid and effective tax on net interest, changes in working capital, capital expenditures and net investments.

^ Working capital is receivables, inventories, other assets, payables and provisions.

Directors

C K Hall, *Chairman*
I A Campbell, *Managing Director*
G D W Curlewis
R M Herron
P G Thomas
R J Wodson

Company Secretary

L R Tutton, *LLB BCom FCIS*

Auditors

Deloitte Touche Tohmatsu
Chartered Accountants

Solicitors

Freehills
Baker & McKenzie

Share Register

Computershare Investor Services Pty Limited
Enquiries within Australia: 1300 850 505
Enquiries outside Australia: +61 3 9415 4000
Investor enquiries facsimile number:
+61 3 9473 2500

Yarra Falls, 452 Johnston Street
Abbotsford Vic 3067
Postal address: GPO Box 2975
Melbourne Vic 3001

Website: www.computershare.com
Email: web.queries@computershare.com.au

Directory

GUD Holdings Limited

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Telephone: (03) 9243 3333
Facsimile: (03) 9243 3300
Email: gudhold@gud.com.au
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Sunbeam Appliances – Australia

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Financial Calendar

2005

August

Record date for September dividend –
26 August 2005

September

Annual Report mailed to shareholders
Payment of dividend – 9 September 2005

October

Annual General Meeting – 19 October 2005

November

Mailing of Chairman's Address to
shareholders

2006

January/February

Announcement of results for the half year
ending 31 December 2005
Announcement of dividend

March

Mailing of half year profit report to
shareholders
Record date for dividend
Payment of dividend

June

End of Company's 2005/06 financial year

July

Preliminary announcement of results for
2005/06 financial year

Timing of events can be subject to change.



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