**PWR Holdings Limited**
**and its controlled entities**
ACN:105 326 850

# RESULTS FOR ANNOUNCEMENT TO THE MARKET

# APPENDIX 4E

**For the period ended 30 June 2017**

**Appendix 4E**

**Preliminary Final Report**

**Name of Entity:** **PWR Holdings Limited**
**ABN:** **85 105 326 850**

## 1. Reporting Period

| | |
|---|---|
| **Reporting Period:** | **Year ended 30 June 2017 ("current period")** |
| **Previous Reporting Period** | **Year ended 30 June 2016 ("previous corresponding period")** |

## 2. Results for Announcement to the Market

| | | | | **A$'000** |
|---|---|---|---|---|
| Revenues from ordinary activities | Up | 1.6% | to | 48,117 |
| Profit / (Loss) from ordinary activities after tax attributed to members[(i)] | Up | 6.2% | to | 9,280 |
| Net profit / (loss) for the period attributed to members[(i)] | Up | 6.2% | to | 9,280 |

(i) In FY16, one off costs associated with the IPO of $2.7 million were incurred. Excluding the impact of this amount, profit from ordinary activities after tax attributed to members was down 13.8% to $9.3 million, as outlined further below.

| **Dividends (distributions)** | **Amount per security** | **Franked amount per security** |
|---|---|---|
| *Current period* | | |
| Interim dividend | 0.90 cents per share | 100% |
| Final dividend | 4.70 cents per share | 100% |
| *Previous corresponding period* | | |
| Interim dividend | 0.62 cents per share | 100% |
| Final dividend | 3.78 cents per share | 100% |

| | |
|---|---|
| Record date for determining entitlements to the final dividend | 5 September 2017 |

**Brief explanation of revenue, net profit and dividends (results commentary)**

Revenue of the Group for the year ended 30 June 2017 was $48.1 million (30 June 2016: $47.3 million), an increase of 1.6%. Organic revenue growth of 11.0% was offset by unfavourable movements in exchange rates due to the strengthening of the AUD.

The net profit after tax of the Group for the year ended 30 June 2017 was $9.3 million (30 June 2016: $8.7 million, including the recognition of $2.7 million ($1.9 million after tax) of one-off expenses in relation to the initial public offering of the Company).

EBITDA[(ii)] for the year ended 30 June 2017 was $14.7 million (30 June 2016: $16.9 million, excluding IPO costs). EBITDA[(ii)] margins were 30.6% and 35.7% respectively. The lower EBITDA and EBITDA[(ii)] margin and profit in FY17 compared to the prior corresponding period was mainly due to: stronger AUD, particularly in relation to GBP; increase in employee costs to achieve organic revenue growth and develop capacity to deliver on future growth opportunities; additional marketing spend to promote the PWR and C&R brands; and growth in general and administration costs, including a full year of public company costs.

Further information on results and operations is included in the Directors' Report.

Subsequent to the end of the reporting period, the directors have declared a fully franked final dividend for the year ending 30 June 2017 of 4.70 cents per ordinary share to be paid on 15 September 2017, a total estimated distribution of $4.7 million based on the number of ordinary shares on issue as at 5 September 2017 (record date).

(ii) Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") is a non-IFRS term which has not been subject to audit or review but has been determined using information presented in the annual financial report.

## 3. Net Tangible assets per security

| | Current period | Previous corresponding period |
|---|---|---|
| Net tangible assets per security | $0.27 | $0.23 |

## 4. Details of entities over which control has been gained or lost during the period

**Control gained over entities**

| | |
|---|---|
| Name of entities | Nil |
| Date(s) from which control was gained | N/A |
| Contribution to consolidated profit/(loss) from ordinary activities after tax by the controlled entities since the date(s) in the current period on which control was acquired. | N/A |
| Profit/(loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period. | N/A |

**Loss of control of entities**

| | |
|---|---|
| Name of entities | Nil |
| Date(s) from which control was lost | N/A |
| Contribution to consolidated profit/(loss) from ordinary activities after tax by the controlled entities to the date(s) in the current period when control was lost. | N/A |
| Profit/(loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period. | N/A |

## 5. Dividend reinvestment plan

Details of any dividend reinvestment plans in operation

| |
|---|
| N/A |

The last date for the receipt of an election notice for participation in any dividend or distribution reinvestment plan

| |
|---|
| N/A |

## 6. Details of Associates and Joint Ventures:

| Name of associate or joint venture entity | Percentage holding<br>Current period | Previous corresponding period |
|---|---|---|
| Nil | Nil | Nil |

Where material to an understanding of the report – aggregate share of profits (losses) of these entities, details of contributions to net profit for each of these entities, and with comparative figures for each of these disclosures for the previous corresponding period:

| |
|---|
| N/A |

## 7. For foreign entities, details of origin of accounting standards used in compiling the report (e.g. International Financial Reporting Standards)

| |
|---|
| N/A |

## 8. Description of dispute or qualification if the accounts have been audited or subject to review

| |
|---|
| N/A |

**This report is based on:**

Accounts that have been subject to audit by KPMG.

**Kees Weel**
Managing Director
Dated this 24th day of August 2017

# Annual Financial Report

# 2017

## PWR Holdings Limited
## and its controlled entities

ACN:105 326 850

**Contents**

# PWR Holdings Limited
# and its controlled entities

## Directors' report

## For the year ended 30 June 2017

The Directors present their report together with the financial report of PWR Holdings Limited (the "Company") and its controlled entities (the "Group") for the year ended 30 June 2017 and the auditor's report thereon.

### 1. Directors

The Directors of the Company at any time during or since the end of the financial year are:

| **Director** | **Experience** |
|---|---|
| **Teresa Handicott**<br>*Interim Independent Chairman, Non-Executive Director*<br>*Appointed NED 1 October 2015*<br>*Appointed Interim Chairman 3 March 2017*<br>*Chairman of Nomination and Remuneration Committee*<br>*Member of Audit and Risk Committee* | Teresa spent over 30 years practicing as a corporate lawyer, specialising in mergers and acquisitions, capital markets and corporate governance. She was a partner of national law firm Corrs Chambers Westgarth for 22 years, including seven years as a member of its National Board and four years as National Chairman prior to her retirement from the partnership in June 2015.<br>Teresa is a director of ASX listed company Downer EDI Limited and of LGE Holding Company Pty Ltd, trading as Peak Services, a subsidiary of The Local Government Association of Queensland (LGAQ), which is responsible for the LGAQ's commercial operations.<br>Teresa serves on the Queensland University of Technology (QUT) Council, chairing the Audit and Risk Committee and is a member of the Investment and Borrowings Committee. She is a director of Bangarra Dance Theatre Limited, chairing its Remuneration Committee.<br>Teresa is a Divisional Councillor of the Queensland Division of the Australian Institute of Company Directors (AICD) and a member of the AICD's National Law Committee. She sits on the Sunshine Coast Council's Economic Futures Board and is a Member of Chief Executive Women (CEW) where she serves on the Scholarship Committee, is a Senior Fellow of Finsia and a Graduate of the AICD.<br>Teresa was previously a Member of the Takeovers Panel, Associate Member of the Australian Competition and Consumer Commission (ACCC), Member of the Finsia Queensland Regional Council, Director of CS Energy Limited, Principal Law Lecturer for the Securities Institute of Australia (now Finsia) and Tutor in Corporate Governance for the AICD Directors Course. |
| Year of next scheduled re-election | 2017 |
| Current directorships of listed entities | Downer EDI Limited (appointed 24 June 2016, effective 21 September 2016) |
| Directorships of listed entities over last 3 years | Nil |

**1. Directors (continued)**

| Director | Experience |
| --- | --- |
| **Jeffrey Forbes**<br>*Independent, Non-Executive Director*<br>*Appointed 7 August 2015*<br>*Chairman of Audit and Risk Committee*<br>*Member of Nomination and Remuneration Committee* | Jeff has 35 years' experience in senior finance and management roles with extensive mergers and acquisitions experience. Jeff retired in March 2013 as Chief Financial Officer, Executive Director and Company Secretary of Cardno, an ASX-listed engineering consultancy company. Prior to joining Cardno, Jeff was Chief Financial Officer and Executive Director at Highlands Pacific and has previously held senior finance roles in the resources sector.<br>Jeff holds a Bachelor of Commerce from the University of Newcastle and is a Graduate of the Australian Institute of Company Directors.<br>Jeff is a Non-Executive Director of Cardno and Chairman of Herron Todd White Australia and Herron Todd White Consolidated. Jeff also sits on the board of not-for-profit Horizon Housing Group and the AFSL company, Australian Affordable Housing. |
| Year of next scheduled re-election | 2018 |
| Current directorships of listed entities | Cardno Limited (appointed 27 January 2016) |
| Directorships of listed entities over last 3 years | CMI Limited (10 April 2014 to 29 February 2016)<br>Affinity Education Group Limited (6 November 2013 to 15 December 2015)<br>Exoma Energy Limited (1 July 2014 to 27 February 2015)<br>Talon Petroleum Limited (4 April 2013 to 3 November 2014) |
| **Kees Weel**<br>*Managing Director and Chief Executive Officer*<br>*Appointed 30 June 2003* | Kees has in excess of 30 years of experience in the automotive cooling industry. He is a key relationship and business development manager for top tier local and overseas customers. Kees also actively leads the product development management team.<br>Kees was a team principal of PWR Racing V8 Super Car Team 1998-2007 and was a board member for Tega V8 Supercars in 2007. |
| Year of next scheduled re-election | Not applicable |
| Current directorships of listed entities | Nil |
| Directorships of listed entities over last 3 years | Nil |

## 1. Directors (continued)

| Director | Experience |
|---|---|
| **Roland Dane**<br>*Independent, Non-Executive Director*<br>*Appointed 1 March 2017*<br>*Member of Audit and Risk Committee*<br>*Member of Nomination and Remuneration Committee* | Roland has extensive automotive business experience in the UK and Australia. Roland was the founder of the Park Lane (UK) vehicle acquisition business in the UK some 30 years ago. He is an owner of the highly successful Triple Eight Race Engineering which has won 8 out of the last 10 Supercars championships. |
| Year of next scheduled re-election | 2017 |
| Current directorships of listed entities | Nil |
| Directorships of listed entities over last 3 years | Nil |

| Former Director | Experience |
|---|---|
| **Robert (Bob) Thorn**<br>*Independent Chairman, Non-Executive Director*<br>*Appointed 7 August 2015*<br>*Resigned 3 March 2017*<br>*Member of Audit and Risk Committee*<br>*Member of Nomination and Remuneration Committee* | Bob brought considerable board and senior management experience to PWR following his nine years as Managing Director of Super Retail Group.<br>He was previously General Manager at Lincraft, and held senior roles at other major retailers including nine years with David Jones. Bob has also been the Chairman of MotorCycle Holdings, Cutting Edge, and a Director at WOW Sight and Sound, Babies Galore, and Unity Water.<br>Bob is a Non-Executive Director of Myer, a position he has held since February 2014. |

## 2. Company Secretary

Lisa Dalton (B.App. Sc., M.App. Sc., LLB (Hons), FAICD, FCIS) was appointed as Company Secretary on 7 August 2015. Lisa is an experienced governance professional having been company secretary of a number of listed and unlisted companies over the past 17 years.

## 3. Directors' meetings

The number of Directors' meetings (including meetings of committees of Directors) and number of meetings attended by each of the Directors of the Company during the financial year are:

| Director | Board Meetings | | Audit and Risk Committee Meetings | | Nomination and Remuneration Committee Meetings | |
|---|---|---|---|---|---|---|
| | **Attended** | **Held** | **Attended** | **Held** | **Attended** | **Held** |
| Kees Weel | 12 | 12 | - | - | - | - |
| Jeffrey Forbes | 12 | 12 | 4 | 4 | 4 | 4 |
| Teresa Handicott | 12 | 12 | 4 | 4 | 4 | 4 |
| Roland Dane | 4 | 4 | 1 | 1 | 1 | 1 |
| Bob Thorn (resigned 3 March 2017) | 8 | 8 | 3 | 3 | 3 | 3 |

### 4. Principal activities

The Company's registered office and principal place of business is 103 Lahrs Road, Ormeau, Queensland 4208.

The principal activities of the Group during the year were the design, engineering, production, testing, validation and sales of customised aluminium cooling products and solutions to the motorsports, automotive original equipment manufacturing ("OEM"), automotive aftermarket and emerging technologies sectors for domestic and international markets.

Other than items outlined in the Operating and Financial review, there were no significant changes in the nature of the activities of the Group during the year.

### 5. Operating and financial review

**Summary of financial results**

| **Profit and loss summary** | **FY17 A$'000** | **FY16 A$'000** | **FY16 to FY17 %** |
|---|---|---|---|
| Revenue | 48,117 | 47,348 | + 1.6% |
| EBITDA[1] (FY16 excluding IPO costs) | 14,728 | 16,903 | - 12.9% |
| EBITDA margin (FY16 excluding IPO costs) | 30.6% | 35.7% | |
| Net profit after tax (FY16 including IPO costs) | 9,280 | 8,735 | + 6.2% |
| Operating cash flow | 13,529 | 16,599 | - 18.5% |
| Earnings per share | 9.28 cents | 9.31 cents | |

***Revenue***

The Group achieved overall revenue growth of 1.6% compared to the prior corresponding period. Organic revenue growth of 11.0% was offset by unfavourable movements in exchange rates due to the strengthening of the AUD.

Organic revenue growth comprised increases in GBP sales of 27.7% and AUD sales of 3.5% compared to the prior corresponding period. USD sales declined by 0.7% following the decision to focus on supporting and developing higher margin business.

***EBITDA***

The lower EBITDA and EBITDA margin in FY17 compared to the prior corresponding period was mainly due to:

- The flow on effect of the stronger AUD, particularly in relation to GBP;
- 14.0% increase in employee costs to achieve FY17 organic revenue growth of 11.0% and developing capacity to deliver on future growth opportunities. Underlying this increase was a 14.4% increase in average global headcount from the prior corresponding period, including 19.6% growth in average engineering and production headcount; and
- Growth in general and administration costs of $0.80 million reflecting, in part, a full year of public company costs and additional marketing spend to promote the PWR and C&R brands.

***Net profit after tax***

Net profit after tax of the Group for the year ended 30 June 2017 was $9.28 million (2016: $8.74 million, including the recognition of $2.67 million ($1.87 million after tax) of one-off expenses in relation to the initial public offering of the Company).

[1] Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") is a non-IFRS term which has not been subject to audit or review but has been determined using information presented in the annual financial report.

### 5. Operating and financial review (continued)

**Summary of financial results (continued)**

***Operating cash flow***

The Group continued its strong cash conversion with FY17 operating cash flow of $13.53 million, a conversion of 91.9% from EBITDA. Operating cash flow was lower than the prior corresponding period due to:

- $1.39 million increase in inventories during the year (including inventories classified as assets held for sale) as the Group invested in raw materials and heat exchanger cores manufactured by PWR and held in stock at C&R to ensure sufficient inventory to achieve expected growth in demand; and
- The flow on effect of revenue and EBITDA impacts outlined above.

***Foreign currency***

The Group is exposed to movements in foreign exchange rates, with consolidated revenue generated in various currencies as outlined below:

| | FY17 % | FY16 % |
|---|---|---|
| British pounds (GBP) | 50.3 | 48.6 |
| US dollars (USD) | 37.5 | 39.8 |
| Australian dollars (AUD) | 12.2 | 11.6 |

**Review of operating segments**

The Group has two operating segments, PWR Performance Products which comprises its Australian and European operations, and C&R which comprises its USA operations.

The PWR Performance Products segment generated external revenue of $31.78 million (2016: $30.73 million), primarily arising from increased market penetration in the motorsports sector in the United Kingdom and Europe, however unfavourable movement in average GBP exchange rates offset the majority of these revenue gains.

The C&R segment generated external revenue of $16.34 million (2016: $16.62 million), with organic growth of 1.7% offset by 3.4% unfavourable movement in average USD exchange rates.

**Review of principal businesses**

During the year ended 30 June 2017, in addition to the items outlined above, the Group:

- Was selected as cooling assembly supplier for two OEM programs in North America, with one commencing production during the year;
- Received nomination as cooling assembly supplier for a niche OEM program in Europe;
- Continued other OEM development and prototype work;
- Commenced the construction of a new aluminium heat exchanger core production line at C&R in the USA, which will be operational in Q2 FY18, to increase overall production capacity, focus on longer run production programs and release production capacity at the existing Australian facility to focus on research and development, bespoke production and the domestic aftermarket;
- Established a US$4.0 million bank facility to assist with the financing of the new aluminium heat exchanger core production line; and
- Moved to exit lower margin, non-cooling business to focus resources on supporting and developing higher margin business. As a result, $0.85 million of inventories and $0.21 million of property, plant and equipment were reclassified to assets held for sale at 30 June 2017.

## 5. Operating and financial review (continued)

### Balance sheet management

The balance sheet remains strong with cash of $9.06 million (30 June 2016: $8.80 million) and a zero net debt position.

Working capital increased during the year as the Group invested in raw materials and heat exchanger cores manufactured by PWR and held in stock at C&R to ensure sufficient inventory to achieve expected growth in demand.

Capital expenditure for the year was $3.87 million (FY16: $2.41 million) including $1.92 million for the C&R heat exchanger core production line.

### Business risks

PWR recognises the importance of, and is committed to, the identification, monitoring and management of material risks associated with its activities. The following information sets out the material risks of PWR which are kept under review and actively managed within PWR's risk management framework. These are not in any particular order.

| | |
|---|---|
| Strategic | Loss of key management personnel |
| | Damage to or dilution of PWR brand or market position |
| Operational | Loss of critical supply inputs or infrastructure |
| | Loss of intellectual property rights |
| | Loss of data security and integrity |
| Financial | Currency volatility |

### Significant changes in the state of affairs

Other than as outlined in the operating and financial review, there were no significant changes in the nature of the activities of the Group during the year.

## 6. Dividends

Dividends paid or declared by the Company to members since the end of the previous financial year were:

| Declared and paid during the year | Cents per share | Total amount $ | Date of payment |
|---|---|---|---|
| Final 2016 ordinary | 3.78 | 3,780,000 | 19 September 2016 |
| Interim 2017 ordinary | 0.90 | 900,000 | 7 April 2017 |
| Total amount | | 4,680,000 | |

### Declared after end of year

The following dividends were declared by the Directors since the end of the financial year:

| | Cents per share | Total amount $ | Date of payment |
|---|---|---|---|
| Final 2017 ordinary | 4.70 | 4,700,000 | 15 September 2017 |
| Total amount | | 4,700,000 | |

The financial effect of this dividend has not been brought to account in the consolidated financial statements for the year end 30 June 2017 and will be recognised in subsequent financial reports. There is no Dividend Re-investment plan in operation.

### 7. Likely developments

The Group will continue its strategy of increasing profitability and market share within existing markets and pursue opportunities in emerging markets during the next financial year.

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

### 8. Events subsequent to reporting date

The Board declared a fully franked final dividend of 4.70 cents per share. The financial effect of this dividend has not been brought to account in the consolidated financial statements for the year ended 30 June 2017.

Other than the matter noted above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

### 9. Deed of cross guarantee

Pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785, wholly owned subsidiaries, PWR Performance Products Pty Ltd and PWR IP Pty Ltd, are relieved from the Corporations Act 2001 requirements for the preparation, audit and lodgement of financial reports, and Directors’ reports.

In accordance with the Class Order, the Company and each of the subsidiaries entered into a Deed of Cross Guarantee, with the effect of the Deed being that the Company guarantees to each creditor, payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001.

### 10. Environmental regulation

The Group is not subject to any significant environmental regulations.

### 11. Indemnification and insurance of officers

The Group has indemnified the Directors and Executives for costs incurred, in their capacity as a Director or Executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Group paid insurance premiums in respect of a contract to insure the Directors and Executives of the Group against a liability to the extent permitted by the Corporations Act 2001. The insurance contract prohibits disclosure of the nature of liability and the amount of the premium.

### 12. Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

### 13. Non-audit services

During the year KPMG, the Group’s auditor, has not performed any services other than the audit and review of the financial statements.

### 14. Lead auditor’s independence declaration

The lead auditor’s independence declaration is set out on page 18 and forms part of the directors’ report for the financial year ended 30 June 2017.

### 15. Directors interests

Details of the Directors’ interests in the securities of the Company are disclosed in the remuneration report. At the date of this report their holdings do not differ from the amount held at 30 June 2017.

### 16. Remuneration report – audited

The information provided in this Remuneration Report has been prepared in accordance with section 300A of the *Corporations Act 2001 (Cth)*.

### A. Key Management Personnel

The remuneration report outlines remuneration for those people considered to be Key Management Personnel (KMP) of the Group during the Reporting Period. KMP are persons having authority and responsibility for planning, directing and controlling the activities of the Group.

KMP consist of:

- Non-Executive Directors; and
- Executive Directors and certain senior executives.

The table below summarises details of KMP of the Group that were KMP on 30 June 2017 or who were KMP during the financial year ended 30 June 2017, their roles and appointment/cessation dates.

**Key Management Personnel during the Reporting Period**

| **Name** | **Role** | **Appointment Date/(Cessation Date)** |
|---|---|---|
| ***Non-Executive Directors*** | | |
| Teresa Handicott | Interim Chairman and Non-Executive Director | 1 October 2015 (Non-Executive Director)<br>3 March 2017 (Interim Chairman) |
| Jeff Forbes | Non-Executive Director | 7 August 2015 |
| Roland Dane | Non-Executive Director | 1 March 2017 |
| ***Executive Director and Senior Executives*** | | |
| Kees Weel | Managing Director | 30 June 2003 |
| Marshall Vann | General Manager | 1 January 2017 |
| Matthew Bryson | General Manager, Engineering | 11 April 2006 |
| Adam Purss | Chief Financial Officer | 23 February 2015 |
| Chris Jaynes | General Manager, USA | 25 January 2016/(31 July 2017) |
| ***Former KMP*** | | |
| Earle Roberts | Chief Operating Officer | 19 April 2016/(28 October 2016) |
| Bob Thorn | Chairman, Non-Executive Director | 7 August 2015/(3 March 2017) |

### B. Remuneration Governance

The following shows the Board’s framework to establish and review remuneration for KMP and employees of the Group:

| | |
|---|---|
| Board | Approves the overall remuneration framework and policy, ensuring it is fair, transparent and aligned with long term outcomes |
| Nomination and Remuneration Committee (“NRC”) | NRC is delegated to review and make recommendations to the Board on remuneration policies for non-executive directors, senior executives and all employees including incentive arrangements and awards. The NRC can appoint remuneration consultants and other external advisors to provide independent advice |
| Managing Director | Provides all relevant information to the NRC to facilitate the NRC making recommendations to the Board on remuneration decisions |

**16. Remuneration report – audited (continued)**

## C. Non-Executive Director Remuneration

### *C1. Policy*

A copy of the remuneration policy for Non-Executive Directors is available on the Group's website. The Board's Non-Executive Director remuneration policy is to:

- Provide a clear fee arrangement that avoids potential conflicts of interest associated with performance incentives,
- Remunerate Directors at market rates for their commitment and responsibilities, and
- Obtain independent external remuneration advice when required.

Non-Executive Directors receive remuneration for undertaking their role. They do not participate in the Group's incentive plans or receive any variable remuneration. Non-Executive Directors are not entitled to retirement payments.

The aggregate Non-Executive Director remuneration cap approved by shareholders in 2016 is $750,000 per annum (inclusive of superannuation contributions). The Board determines the distribution of Non-Executive Director fees within the approved remuneration cap.

### *C2. Remuneration of Non-Executive Directors during Reporting Period*

The following table sets out the annual Board and Committee fees (inclusive of superannuation) for Non-Executive Directors during the reporting period. Upon the appointment of the Interim Chairman on 3 March 2017, the Board undertook a remuneration benchmarking exercise and reduced the annual fee for the Chairman's role by $100,000 to $150,000 per annum.

| Role | Timeframe | Director Fees $ per annum |
|---|---|---|
| Chairman | 1 July 2016 to 3 March 2017 | 250,000 |
| Interim Chairman | 3 March 2017 to 30 June 2017 | 150,000 |
| Non-Executive Director | Reporting Period | 95,000 |
| Audit and Risk Committee Chairman | Reporting Period | 20,000 |
| Nomination and Remuneration Committee Chairman | Reporting Period | 20,000 |

## D. Executive Director and Senior Executive Remuneration

### *D1. Remuneration policy for senior executives*

The Board's policy for determining the nature and amount of remuneration for the Managing Director and other senior executives is:

- Provide for both fixed and performance based remuneration,
- Provide a remuneration package based on an annual review of employment market conditions, the Group's performance and individual performance, and
- Obtain independent external remuneration advice when required.

The remuneration framework for senior executives comprises two elements:

1. Fixed remuneration; and
2. "At risk" or performance linked remuneration.

**16. Remuneration report – audited (continued)**

**D. Executive Director and Senior Executive Remuneration (continued)**

***D1. Remuneration policy for senior executives (continued)***

***D1.1 Fixed remuneration***

Fixed remuneration is a function of size and complexity of the role, individual responsibilities, experience, skills and market pay levels. This consists of cash salary, salary sacrifice items, employer superannuation, annual leave provisions and any fringe benefits tax charges related to employee benefits. Superannuation is paid at the relevant statutory contribution limit. The opportunity to salary sacrifice superannuation benefits on a tax-compliant basis is available upon request.

The Board determines an appropriate level of fixed remuneration for the senior executives with recommendations from the Nomination and Remuneration Committee.

Fixed remuneration is reviewed annually following performance reviews at the end of the financial year and takes into account role and accountabilities, relevant market benchmarks and attraction, retention and motivation of executives in the context of the talent market.

The Managing Director and senior executives did not receive remuneration increases to their fixed remuneration during the Reporting Period or from 1 July 2017.

***D1.2 Performance linked remuneration***

**Short-term incentive plan**

The Managing Director and senior executives are eligible to participate in the Group's short-term incentive plan.

Under the plan, participants have an opportunity to receive an annual cash bonus calculated as a percentage of their total fixed remuneration ("TFR") and conditional on the achievement of short-term financial and non-financial performance measures at a corporate and individual level. For the year ended 30 June 2017, the operation of the short term-incentive plan had an EBITDA target, established by the Board at the commencement of the Reporting Period to trigger its operation. The EBITDA target was not achieved and no short-term incentives were awarded to the Managing Director or senior executives.

The Board retains an overarching discretion to award an annual bonus. In exercising that discretion they have regard to the remuneration policy, market conditions and Group performance.

*Analysis of cash bonuses included in remuneration*

The Board did not award the Managing Director or the senior executives a cash bonus for the Reporting Period:

| Employed at 30 June 2017 | Position | Max Potential Bonus % TFR | Actual Bonus % TFR | Bonuses included in FY17 remuneration $ |
|---|---|---|---|---|
| Kees Weel | Managing Director | 50% | - | - |
| Marshall Vann | General Manager | 30% | - | - |
| Matthew Bryson | General Manager, Engineering | 30% | - | - |
| Adam Purss | Chief Financial Officer | 30% | - | - |
| Chris Jaynes (i) | General Manager, USA | 30% | - | - |

(i) Employed by C&R Racing Inc and remunerated in USD.

**16. Remuneration report – audited (continued)**

**D. Executive Director and Senior Executive Remuneration (continued)**

***D1. Remuneration policy for senior executives (continued)***

***D1.2 Performance linked remuneration (continued)***

**Long-term incentive plan**

Shareholders approved the implementation of a long-term incentive plan ("LTIP") at the 2016 Annual General Meeting ("AGM").

The LTIP is an equity-based incentive designed to provide participants with the incentive to deliver growth in shareholder value. Senior Executives receive performance rights ("Rights") on an annual basis under the Performance Rights Plan, subject to the approval of the Board. The Managing Director is entitled to receive Performance Rights on an annual basis under the Performance Rights Plan, subject to approval of shareholders. One grant of Rights was made to the Senior Executives and Managing Director in the 2017 financial year following approval of Shareholders at the 2016 AGM.

Rights convert to ordinary shares in the Company on a one-for-one basis at the end of the three-year performance period depending on the extent to which performance hurdles are achieved and service conditions met.

The performance hurdles are the achievement of Total Shareholder Return ("TSR") ranking criteria relative to the TSR of constituents of the S&P/ASX300 (excluding mining and exploration entities) and growth in annual Earnings Per Share ("EPS") relative to a target set by the Board. Participants must remain continually employed with the Company until the date of vesting. Vesting on each tranche is as follows:

**TSR Ranking (50%)**

The percentage of Performance Rights linked to TSR will be 50%. TSR is calculated by an independent third party, comparing the TSR percentile rank that the Company holds relative to all S&P ASX 300 constituent companies (excluding Energy sector (oil, gas and coal)) for the relevant 3-year Performance Period.

| TSR Ranking | Vesting outcome |
|---|---|
| TSR is 50% or less | Nil vesting |
| TSR is more than 50% but less than 75% | Rateable vesting between 20% and 99% |
| TSR is 75% or more | 100% vesting |

**EPS Growth (50%)**

The percentage of the Performance Rights linked to the EPS hurdle will be 50%. Vesting is determined by the growth in EPS from the financial year immediately prior to the start of the Performance Period (base year) to the end of the third year of the Performance Period, measured against specific EPS targets outlined below.

| EPS | Vesting outcome |
|---|---|
| EPS growth is 4% or less | Nil vesting |
| EPS growth is more than 4% but less than 12% | Rateable vesting between 50% and 99% |
| EPS growth is 12% or more | 100% vesting |

Rights that do not vest at the end of the three-year period lapse, unless the Board in its discretion determines otherwise. Upon cessation of employment prior to the vesting date, Rights will be forfeited and lapse. Rights do not entitle holders to dividends that are declared during the vesting period. The Board believes that performance hurdles, in combination, serve to align the interests of the individual senior executives with the interests of the Company's shareholders.

**16. Remuneration report – audited (continued)**

### E. Company performance and remuneration outcomes

The various components of the way the Group remunerates key management personnel have been structured to support the Group's strategy and business objectives which in turn are designed to generate shareholder wealth.

When setting targets and determining the quantum of the remuneration increases and the proportion of fixed and performance linked remuneration components, the Board refers to remuneration benchmarking reports provided by independent sources and remuneration consultants from time to time.

The at risk component (short-term incentive plan and long-term incentive plan) of the remuneration structure intends to reward achievement against Group and individual performance measures over one year and three-year timeframes, respectively.

The table below summarises the Group's performance in recent financial years:

| | Note | 2017<br>$ | 2016<br>$ | 2015<br>$ |
|---|---|---|---|---|
| EBITDA (excluding IPO costs) | | 14,727,640 | 16,903,003 | 13,024,518 |
| Net profit after tax | | 9,280,143 | 8,735,466 | 8,909,175 |
| Total dividends per share | | 5.60 cents | 4.40 cents | $13.78 |
| Change in share price | | (0.43) | 1.28 | N/A |
| Earnings per share | B5 | 9.28 cents | 9.31 cents | 10.90 cents |

PWR Holdings Limited listed on the ASX on 18 November 2015.

### F. Contract duration and termination requirements

The Company has contracts of employment with no fixed tenure requirements with the Managing Director and senior executives. The notice period for each is outlined in the table below. Termination with notice may be initiated by either party. The contracts contain customary clauses dealing with immediate termination for gross misconduct, confidentiality and post-employment restraint of trade provisions.

| Name | Position | Notice Period |
|---|---|---|
| **Executive Director** | | |
| Kees Weel | Managing Director | 6 months |
| **Senior Executives** | | |
| Marshall Vann | General Manager | 3 months |
| Matthew Bryson | General Manager, Engineering | 3 months |
| Adam Purss | Chief Financial Officer | 3 months |
| Chris Jaynes | General Manager, USA | 3 months |

## 16. Remuneration report – audited (continued)

### G. Key Management Personnel Remuneration

Details of the nature and amount of each major element of remuneration of each Director and senior executive of the Group for the Reporting Period are:

| Name | Year | Short-term benefits | | | | Post Employment Benefits | | Long-term benefits | Share-based payments | | Proportion of remuneration performance related |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Cash salary & fees $ | Cash Bonus $ | Non-cash benefits $ | Total $ | Super benefits $ | Termination benefits $ | Long service leave $ | Performance rights $ | Total $ | % |
| **Non-executive Directors** | | | | | | | | | | | |
| **Current** | | | | | | | | | | | |
| Jeff Forbes (i) | 2017 | 105,023 | - | - | 105,023 | 9,977 | - | - | - | 115,000 | - |
| *Non-Executive Director* | 2016 | 87,519 | - | - | 87,519 | 8,314 | - | - | - | 95,833 | - |
| Teresa Handicott (ii) | 2017 | 114,941 | - | - | 114,941 | 10,919 | - | - | - | 125,860 | - |
| *Interim Chairman* | | | | | | | | | - | | |
| *Non-Executive Director* | 2016 | 78,767 | - | - | 78,767 | 7,483 | - | - | | 86,250 | - |
| Roland Dane (iii) | 2017 | 31,667 | - | - | 31,667 | - | - | - | - | 31,667 | - |
| *Non-Executive Director* | 2016 | - | - | - | - | - | - | - | - | - | - |
| **Former** | | | | | | | | | | | |
| Bob Thorn (iv) | | | | | | | | | | | |
| *Chairman, Non-* | 2017 | 152,207 | - | - | 152,207 | 14,460 | - | - | - | 166,667 | - |
| *Executive Director* | 2016 | 212,900 | - | - | 212,900 | 16,267 | - | - | - | 229,167 | - |
| **Total - Non-Executive Directors' Remuneration** | 2017 | 403,838 | - | - | 403,838 | 35,356 | - | - | - | 439,194 | |
| | 2016 | 379,186 | - | - | 379,186 | 32,064 | - | - | - | 411,250 | |
| **Executive Directors and senior executives** | | | | | | | | | | | |
| **Current** | | | | | | | | | | | |
| Kees Weel | 2017 | 350,000 | - | 26,923 | 376,923 | 33,250 | - | 5,536 | 23,397 | 439,106 | 5.3 |
| *Managing Director* | 2016 | 321,154 | 61,213 | 15,963 | 398,330 | 29,399 | - | 5,497 | - | 433,226 | 14.1 |
| Marshall Vann (v) | 2017 | 131,718 | - | 3,810 | 135,527 | 12,513 | - | - | - | 148,040 | - |
| *General Manager* | 2016 | - | - | - | - | - | - | - | - | - | - |
| Matthew Bryson | | | | | | | | | | | |
| *General Manager,* | 2017 | 250,000 | - | 8,661 | 258,661 | 23,750 | - | 3,955 | 10,027 | 296,393 | 3.4 |
| *Engineering* | 2016 | 239,423 | 27,101 | 27,616 | 294,140 | 22,639 | - | 14,291 | - | 331,070 | 8.2 |
| Adam Purss | 2017 | 200,000 | - | - | 200,000 | 19,000 | - | - | 8,021 | 227,021 | 3.5 |
| *Chief Financial Officer* | 2016 | 200,000 | 21,247 | 4,855 | 226,102 | 19,000 | - | - | - | 245,102 | 8.7 |
| Chris Jaynes (vi) | 2017 | 213,592 | - | 7,128 | 220,721 | 1,659 | - | - | 7,494 | 229,874 | 3.3 |
| *General Manager, USA* | 2016 | 74,698 | 19,620 | 2,603 | 96,921 | 741 | - | - | - | 97,662 | 20.1 |
| **Former** | | | | | | | | | | | |
| Earle Roberts (vii) | 2017 | 86,933 | - | - | 86,933 | 14,223 | 191,996 | - | - | 293,153 | - |
| *Chief Operating Officer* | 2016 | 48,296 | 13,613 | 3,715 | 65,624 | 4,588 | - | - | - | 70,212 | 19.4 |
| Paul Weel (viii) | 2017 | - | - | - | - | - | - | - | - | - | - |
| *Production Manager* | 2016 | 230,769 | - | 8,557 | 239,326 | 20,812 | - | 3,622 | - | 263,760 | - |
| Chris Paulsen (ix) | 2017 | - | - | - | - | - | - | - | - | - | - |
| *General Manager, USA* | 2016 | 295,615 | - | 4,517 | 300,132 | 975 | - | - | - | 301,107 | - |
| **Total – Executive Directors' and senior executives' Remuneration** | 2017 | 1,232,243 | - | 46,522 | 1,278,766 | 104,395 | 191,996 | 9,491 | 48,939 | 1,633,587 | |
| | 2016 | 1,409,955 | 142,794 | 67,826 | 1,620,575 | 98,154 | - | 23,410 | - | 1,742,139 | |
| **Total - KMP Remuneration** | 2017 | 1,636,081 | - | 46,522 | 1,682,604 | 139,751 | 191,996 | 9,491 | 48,939 | 2,072,781 | |
| | 2016 | 1,789,141 | 142,794 | 67,826 | 1,999,761 | 130,218 | - | 23,410 | - | 2,153,389 | |

### 16. Remuneration report – audited (continued)

### G. Key Management Personnel Remuneration (continued)

(i) Appointed 7 August 2015. Prior to his appointment as Director, consulting fees of $17,500 were paid to Jeff Forbes for his assistance with the IPO process. These consulting fees are not included in the amounts above.
(ii) Appointed 1 October 2015 as Non-Executive Director and 3 March 2017 as Interim Chairman.
(iii) Appointed 1 March 2017.
(iv) Appointed 7 August 2015, resigned 3 March 2017. Prior to his appointment as Director, consulting fees of $20,833 were paid to Bob Thorn for his assistance with the IPO process. These consulting fees are not included in the amounts above.
(v) Appointed 1 January 2017.
(vi) Chris Jaynes was appointed General Manager, USA on 25 January 2016 and is remunerated in USD. Remuneration has been converted to AUD using the average annual exchange rate. Chris Jaynes resigned on 31 July 2017.
(vii) Appointed 19 April 2016, ceased employment on 28 October 2017.
(viii) Resigned as Executive Director 7 August 2015. No longer considered KMP from 1 June 2016. Paul Weel did not participate in the short term incentive plan.
(ix) Chris Paulsen was General Manager USA from 27 March 2015 to 25 January 2016 and was remunerated in USD. Remuneration has been converted to AUD using the average annual exchange rate. Chris Paulsen did not participate in the short term incentive plan.

### H. Share holdings of Key Management Personnel

The movement during the year in the number of ordinary shares in PWR Holdings Limited held, directly, indirectly or beneficially, by each member of the Key Management Personnel, including their related parties, is as follows:

| Name | Shareholdings of KMP | | | | |
|---|---|---|---|---|---|
| | Opening Balance 1 July 2016 | Shares acquired during the year | Shares disposed of during the year | Other | Closing Balance 30 June 2017 |
| **Non-executive Directors** | | | | | |
| **Current** | | | | | |
| Jeff Forbes | 20,000 | - | - | - | 20,000 |
| Teresa Handicott | 13,500 | - | - | - | 13,500 |
| Roland Dane | N/A | - | - | 64,000 (ii) | 64,000 |
| **Former** | | | | | |
| Bob Thorn | 400,000 | - | - | (400,000) (iii) | N/A |
| **Executive Directors and Senior Executives** | | | | | |
| **Current** | | | | | |
| Kees Weel | 38,368,500 (i) | - | - | - | 38,368,500 (i) |
| Marshall Vann | N/A | 105,000 | - | 300,000 (ii) | 405,000 |
| Matthew Bryson | 4,209,000 | - | - | - | 4,209,000 (iv) |
| Adam Purss | 13,330 | - | - | - | 13,330 |
| Chris Jaynes | - | - | - | - | - |
| **Former** | | | | | |
| Earle Roberts | 21,800 | - | - | (21,800) (iii) | N/A |

(i) 38,368,500 shares held by KPW Property Holdings Pty Ltd as trustee for the KPW Holdings Trust. At 30 June 2017 Kees Weel is a director of the trustee and beneficiary of the trust. Shares subject to escrow until 31 August 2017.
(ii) Shares held prior to appointment as KMP.
(iii) Shares held at dates of cessation as KMP.
(iv) Shares subject to escrow until 31 August 2017.

### 16. Remuneration report – audited (continued)

### I. Options over equity instruments granted as remuneration

Details of performance rights over ordinary shares in the Company that were granted as remuneration to members of KMP during the Reporting Period are shown in the table below. There were no alterations to the terms and conditions of performance rights granted as remuneration to KMP since their grant date.

No performance rights vested and no performance rights were forfeited during the Reporting Period.

| | Description of Rights | Number of Rights Granted in FY17 | Fair Value per Right at Grant Date TSR Component $ | Fair Value per Right at Grant Date EPS Component $ | Grant Date | Vesting Date | % of Remuneration Granted as Rights during the Reporting Period |
|---|---|---|---|---|---|---|---|
| Kees Weel<br>*Managing Director* | FY17 LTIP | 64,958 | 0.86 | 2.37 | 21 Oct 2016 | 1 Sep 2019 | 5.3% |
| Matthew Bryson<br>*General Manager, Engineering* | FY17 LTIP | 27,839 | 0.86 | 2.37 | 6 Dec 2016 | 1 Sep 2019 | 3.4% |
| Adam Purss<br>*Chief Financial Officer* | FY17 LTIP | 22,271 | 0.86 | 2.37 | 6 Dec 2016 | 1 Sep 2019 | 3.5% |
| Chris Jaynes<br>*General Manager, USA* | FY17 LTIP | 20,807 | 0.86 | 2.37 | 6 Dec 2016 | 1 Sep 2019 | 3.3% |
| **Total** | | 135,874 | | | | | |

### J. Remuneration consultants

The Board did not retain remuneration consultants during the Reporting Period.

### K. Voting and comments made as the Company's 2016 Annual General Meeting

The Company received more than 75% of "yes" votes on its remuneration report for the 2016 financial year. The Company did not receive any specific feedback at the 2016 AGM on its remuneration report.

### L. Key management personnel transactions

KMP, or their related parties, may hold positions in other entities that result in them having control, or joint control, over the financial or operating policies of those entities.

These entities may transact with the Group. The terms and conditions of the transactions with KMP and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arms length basis.

From time to time, directors of the Group, or their related entities, may purchase goods from the Group. These purchases are on the same terms and conditions as those entered into by other Group employees or customers, and are trivial or domestic in nature.

This report is made with a resolution of the directors:

Teresa Handicott
*Interim Chairman*
Dated at Brisbane, this 24th day of August 2017.

Kees Weel
*Managing Director*
Dated at Brisbane, this 24th day of August 2017.

# Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

## To the directors of PWR Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of PWR Holdings Limited for the year ended 30 June 2017 there have been:

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

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

KPMG

KPMG

Jason Adams
Partner

Brisbane
24 August 2017

# PWR Holdings Limited
# and its controlled entities

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

## For the year ended 30 June 2017

| | *Note* | 2017<br>$ | 2016<br>$ |
|---|---|---|---|
| Revenue | *B2* | 48,117,463 | 47,347,604 |
| Other income | *B2* | 677,175 | 81,155 |
| | | | |
| Raw materials and consumables used | | (10,462,091) | (10,796,591) |
| Changes in inventories of finished goods and work in progress | | 394,517 | 930,454 |
| Employee expenses | | (19,350,105) | (16,976,877) |
| Depreciation and amortisation | | (1,473,311) | (1,198,326) |
| Occupancy expenses | | (1,664,775) | (1,553,364) |
| Initial public offering costs | *B3* | - | (2,665,936) |
| Other expenses | | (2,984,544) | (2,129,378) |
| **Results from operating activities** | | 13,254,329 | 13,038,741 |
| | | | |
| Finance income | | 12,012 | 16,531 |
| Finance costs | | (316,746) | (595,283) |
| **Net finance income/(costs)** | *B4* | (304,734) | (578,752) |
| | | | |
| **Profit before income tax** | | 12,949,595 | 12,459,989 |
| Income tax expense | *E1* | (3,669,452) | (3,724,523) |
| **Profit for the year attributable to equity holders of the parent** | | 9,280,143 | 8,735,466 |
| | | | |
| **Other comprehensive income** | | | |
| **Items that are or may be reclassified to profit or loss:** | | | |
| Exchange differences on translating foreign operations | | (410,998) | 28,997 |
| **Total comprehensive income for the year** | | 8,869,145 | 8,764,463 |
| | | | |
| **Basic and diluted earnings per share** | *B5* | 9.28 cents | 9.31 cents |

The accompanying notes are an integral part of these financial statements.

# PWR Holdings Limited
# and its controlled entities

## Consolidated Statement of Financial Position

## At 30 June 2017

| | *Note* | 2017 | 2016 |
|---|---|---|---|
| **Assets** | | **$** | **$** |
| **Current assets** | | | |
| Cash and cash equivalents | *C1* | 9,063,782 | 8,796,805 |
| Trade and other receivables | *C2* | 3,444,586 | 4,089,710 |
| Inventories | *C3* | 7,280,829 | 6,743,778 |
| Assets held for sale | *C4* | 1,061,177 | - |
| Current tax assets | *E2* | 900,168 | - |
| Other assets | *C5* | 500,762 | 631,403 |
| **Total current assets** | | 22,251,304 | 20,261,696 |
| | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | *C6* | 7,890,294 | 5,909,144 |
| Intangible assets | *C7* | 14,129,058 | 14,174,350 |
| Deferred tax assets | *E2* | 2,022,508 | 1,821,995 |
| **Total non-current assets** | | 24,041,860 | 21,905,489 |
| **Total assets** | | 46,293,164 | 42,167,185 |
| | | | |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | *C8* | 2,920,829 | 2,662,196 |
| Loans and borrowings | *F1* | 289,832 | 396,621 |
| Employee benefits | *D1* | 1,420,656 | 969,807 |
| Provisions | *C9* | 114,367 | 119,009 |
| Current tax liabilities | *E2* | - | 408,648 |
| **Total current liabilities** | | 4,745,684 | 4,556,281 |
| | | | |
| **Non-current liabilities** | | | |
| Loans and borrowings | *F1* | 473,808 | 763,641 |
| Employee benefits | *D1* | 112,090 | 123,765 |
| **Total non-current liabilities** | | 585,898 | 887,406 |
| **Total liabilities** | | 5,331,582 | 5,443,687 |
| **Net assets** | | 40,961,582 | 36,723,498 |
| | | | |
| **Equity** | | | |
| Issued capital | *F2* | 25,920,826 | 25,920,826 |
| Reserves | *F2* | 152,006 | 514,065 |
| Retained earnings | | 14,888,750 | 10,288,607 |
| **Total equity** | | 40,961,582 | 36,723,498 |

The accompanying notes are an integral part of these financial statements.

# PWR Holdings Limited
# and its controlled entities

## Consolidated Statement of Changes in Equity

## For the year ended 30 June 2017

| | *Note* | Share Capital $ | Foreign currency translation reserve $ | Share based payments reserve | Retained earnings $ | Total equity $ |
|---|---|---|---|---|---|---|
| Balance at 1 July 2016 | | 25,920,826 | 514,065 | - | 10,288,607 | 36,723,498 |
| **Total comprehensive income for the year** | | | | | | |
| Profit for the year | | - | - | - | 9,280,143 | 9,280,143 |
| Other comprehensive income | | - | (410,998) | - | - | (410,998) |
| Total comprehensive income | | - | (410,998) | - | 9,280,143 | 8,869,145 |
| **Transactions with owners, recorded directly in equity** | | | | | | |
| Employee share-based payments | D3 | - | - | 48,939 | - | 48,939 |
| Dividends paid | F3 | - | - | - | (4,680,000) | (4,680,000) |
| Total transactions with owners | | - | - | 48,939 | (4,680,000) | (4,631,061) |
| **Balance at 30 June 2017** | | 25,920,826 | 103,067 | 48,939 | 14,888,750 | 40,961,582 |
| Balance at 1 July 2015 | | 2,553,251 | 485,068 | - | 2,173,141 | 5,211,460 |
| **Total comprehensive income for the year** | | | | | | |
| Profit for the year | | - | - | - | 8,735,466 | 8,735,466 |
| Other comprehensive income | | - | 28,997 | - | - | 28,997 |
| Total comprehensive income | | - | 28,997 | - | 8,735,466 | 8,764,463 |
| **Transactions with owners, recorded directly in equity** | | | | | | |
| Share issued during the year | F2 | 23,367,575 | - | - | - | 23,367,575 |
| Dividends paid | F3 | - | - | - | (620,000) | (620,000) |
| Total transactions with owners | | 23,367,575 | - | - | (620,000) | 22,747,575 |
| **Balance at 30 June 2016** | | 25,920,826 | 514,065 | - | 10,288,607 | 36,723,498 |

The accompanying notes are an integral part of these financial statements.

# PWR Holdings Limited
# and its controlled entities

## Consolidated Statement of Cash Flows

## For the year ended 30 June 2017

| | *Note* | 2017 | 2016 |
|---|---|---|---|
| **Cash flows from operating activities** | | **$** | **$** |
| Cash receipts from customers | | 48,832,471 | 47,887,825 |
| Cash paid to suppliers and employees | | (35,303,212) | (31,288,555) |
| Cash generated from operating activities | | 13,529,259 | 16,599,270 |
| Interest paid | | (47,768) | (316,235) |
| Income tax paid | | (4,536,762) | (3,787,377) |
| **Net cash from operating activities** | *C1* | 8,944,729 | 12,495,658 |
| | | | |
| **Cash flows from investing activities** | | | |
| Government grant income received | | 75,860 | 81,155 |
| Interest received | | 12,012 | 16,531 |
| Proceeds from sale of property, plant and equipment | | 165,655 | 51,718 |
| Payments for property, plant and equipment | | (3,872,307) | (1,271,513) |
| **Net cash used in investing activities** | | (3,618,780) | (1,122,109) |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares | | - | 24,150,000 |
| Payments for costs of initial public offering | | - | (3,783,685) |
| Dividends paid | | (4,680,000) | (620,000) |
| Repayment of borrowings | | - | (22,451,143) |
| Payment of finance lease liabilities | | (396,621) | (901,163) |
| **Net cash used in financing activities** | | (5,076,621) | (3,605,991) |
| | | | |
| **Net increase in cash and cash equivalents** | | 249,328 | 7,767,558 |
| Cash and cash equivalents at 1 July | | 8,796,805 | 1,005,861 |
| Effect of exchange rate fluctuations on cash held | | 17,649 | 23,386 |
| **Cash and cash equivalents at 30 June** | *C1* | 9,063,782 | 8,796,805 |

The accompanying notes are an integral part of these financial statements.

### Section A About this Report

### A1 Reporting entity

PWR Holdings Limited (the "Company") is a Company domiciled in Australia.

The consolidated financial statements of the Company as at and for the year ended 30 June 2017 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group Entities").

The Group is involved in the design, engineering, production, testing, validation and sales of customised aluminium cooling products and solutions to the motorsports, automotive original equipment manufacturing, automotive aftermarket and emerging technologies sectors for domestic and international markets.

The Company's registered office and principal place of business is 103 Lahrs Road, Ormeau, Queensland 4208.

The Group is a for-profit entity for the purposes of preparing these financial statements.

### A2 Basis of preparation

#### (a) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

The financial statements were approved by the Board of Directors on 24 August 2017.

#### (b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for any derivative financial instruments which are recognised at fair value.

#### (c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency.

#### (d) Use of estimates and judgements

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of the entities within the Group. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about critical judgements, estimates and assumptions in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

- Note C3 – Inventories
- Note C7 – Intangible assets
- Note C9 – Provisions
- Section E – Taxation

**Section A About this Report (continued)**

## A3 Significant accounting policies

The accounting policies set out in the individual notes to the consolidated financial statements have been applied consistently to all periods presented in these consolidated financial statements.

## A4 Foreign currency transactions and operations

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences are generally recognised in profit or loss.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition are translated to the functional currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated to the functional currency at exchange rates at the dates of the transactions.

Foreign currency translation differences are recognised in other comprehensive income and presented in the foreign currency translation reserve in equity.

## A5 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

### Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at reporting date.

### Derivative financial instruments

Fair value, which is determined for recognition and disclosure purposes, is calculated based on valuation techniques using observable market inputs.

**Section B Business Performance**

### B1 Operating segments

The Group determines its operating segments based on information presented to the Managing Director being the chief operating decision maker, with operating segments based on the Group's operating divisions.

Intersegment pricing is determined based on cost plus margin.

| | PWR Performance Products | | C&R | | Total | |
|---|---|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | $ | $ | $ | $ | $ | $ |
| External revenues | 31,775,704 | 30,726,192 | 16,341,759 | 16,621,412 | 48,117,463 | 47,347,604 |
| Inter-segment revenues | 4,903,727 | 4,510,909 | 395,125 | 359,262 | 5,298,852 | 4,870,171 |
| Segment revenue | 36,679,431 | 35,237,101 | 16,736,884 | 16,980,674 | 53,416,315 | 52,217,775 |
| Operating EBITDA[1] | 12,929,273 | 15,687,196 | 1,668,779 | 1,590,246 | 14,598,052 | 17,277,442 |
| Depreciation and amortisation | 1,077,184 | 821,083 | 396,127 | 377,243 | 1,473,311 | 1,198,326 |
| Segment profit/(loss) before interest and tax | 11,852,089 | 14,866,113 | 1,272,652 | 1,213,003 | 13,124,741 | 16,079,116 |
| Capital expenditure | 2,176,079 | 1,972,565 | 1,696,228 | 440,868 | 3,872,307 | 2,413,433 |

1 Operating EBITDA is the segment's profit from operations before interest, taxation, depreciation and amortisation.

| | 2017 | 2016 |
|---|---|---|
| **Reconciliation of reportable segment profit or loss** | $ | $ |
| ***Revenues*** | | |
| Total revenue for reportable segments | 53,416,315 | 52,217,775 |
| Elimination of inter-segment revenue | (5,298,852) | (4,870,171) |
| Consolidated revenue | 48,117,463 | 47,347,604 |
| | | |
| ***Profit before tax*** | | |
| Profit before tax for reportable segments | 13,124,741 | 16,079,116 |
| Elimination of inter-segment profit | 129,588 | (374,439) |
| Net finance income/(costs) | (304,734) | (578,752) |
| Unallocated corporate expenses – IPO costs | - | (2,665,936) |
| Consolidated profit before tax | 12,949,595 | 12,459,989 |

## Section B Business Performance (continued)

### B1 Operating segments (continued)

#### Geographic information

The Group operates manufacturing facilities and/or sales offices in Australia, the UK and the USA, and sells its products to customers in various countries throughout the world. The information below is an analysis of the Group's revenue on the basis of the location of the Group's customers.

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | Revenues | Non-current assets (i) | Revenues | Non-current assets (i) |
| | $ | $ | $ | $ |
| Australia | 5,398,034 | 18,518,329 | 5,082,377 | 17,430,603 |
| USA | 17,810,478 | 3,472,703 | 18,652,236 | 2,619,466 |
| UK | 9,300,031 | 28,320 | 10,452,855 | 33,425 |
| Italy | 7,146,202 | - | 6,669,487 | - |
| Germany | 3,066,011 | - | 4,006,646 | - |
| France | 1,627,827 | - | 988,756 | - |
| Switzerland | 1,296,131 | - | 427,076 | - |
| Finland | 1,085,393 | - | 176,049 | - |
| Austria | 675,132 | - | 93,779 | - |
| Japan | 443,405 | - | 216,187 | - |
| Other countries | 268,819 | - | 582,156 | - |
| | 48,117,463 | 22,019,352 | 47,347,604 | 20,083,494 |

(i) Excluding deferred tax assets.

### B2 Revenue and other income

| | 2017 | 2016 |
|---|---|---|
| ***Revenue*** | $ | $ |
| Sales of goods | 46,739,236 | 46,016,960 |
| Rendering of services | 790,815 | 711,937 |
| Other revenue | 587,412 | 618,707 |
| | 48,117,463 | 47,347,604 |
| ***Other income*** | | |
| R&D tax incentive | 601,315 | - |
| Government grant | 75,860 | 81,155 |
| | 677,175 | 81,155 |

#### Recognition and measurement

***Sale of goods***

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns and trade discounts. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

***Rendering of services***

Revenue from rendering of services is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date.

**Section B Business Performance (continued)**

### B3 Expenses

**Significant items**

During the prior year, the Company incurred $3.8 million before tax in one-off costs in relation to the initial public offering undertaken by the Company, of which $1.1 million was allocated to equity and $2.7 million was recorded as an expense. These non-recurring expenses are included in "Initial Public Offering Expenses" in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

### B4 Finance income and expense

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Interest income | 12,012 | 16,531 |
| **Finance income** | 12,012 | 16,531 |
| Interest expense | (47,768) | (316,235) |
| Net foreign exchange loss | (268,978) | (279,048) |
| **Finance costs** | (316,746) | (595,283) |
| **Net finance costs** | (304,734) | (578,752) |

**Recognition and measurement**

Finance income comprises interest income on funds invested and changes in the fair value of derivative financial instruments at fair value through profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings and changes in the fair value of derivative financial instruments at fair value through profit or loss. Interest expense is recognised using the effective interest method.

Foreign currency gains and losses on monetary assets and liabilities are reported on a net basis as either finance income or finance costs depending on whether foreign currency movements are in a net gain or net loss position.

### B5 Earnings per share

| | 2017 | 2016 |
|---|---|---|
| Basic and diluted earnings per share | 9.28 cents | 9.31 cents |

***Profit attributable to ordinary shareholders***

The calculation of both basic and diluted earnings per share was based on profit attributable to equity holders of the Company of $9,280,143 (2016: $8,735,466).

| ***Weighted average number of ordinary shares*** | 2017<br>No. | 2016<br>No. |
|---|---|---|
| Issued ordinary shares at 1 July | 100,000,000 | 83,900,000 |
| Effect of initial public offering on 18 November 2015 | - | 9,968,767 |
| Weighted number of ordinary shares at 30 June | 100,000,000 | 93,868,767 |

The impact of the performance rights issued by the Group during the year was not material to the calculation of the Group's diluted earnings per share.

## Section C Operating Assets and Liabilities

### C1 Cash and cash equivalents

| | 2017 | 2016 |
|---|---|---|
| | $ | $ |
| Bank balances | 9,058,322 | 8,757,445 |
| Cash on hand | 5,460 | 39,360 |
| Cash and cash equivalents in the statement of cash flows | 9,063,782 | 8,796,805 |

**Reconciliation of cash flows from operating activities**

| | 2017 | 2016 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit for the year | 9,280,143 | 8,735,466 |
| Adjustments for: | | |
| Depreciation and amortisation | 1,473,311 | 1,198,326 |
| Net foreign exchange loss/(gain) | 268,978 | 279,048 |
| Initial public offering costs classified as financing activities | - | 2,665,936 |
| (Profit)/Loss on sale of property, plant and equipment | 9,621 | (40,856) |
| Changes in: | | |
| Trade and other receivables | 711,668 | 224,907 |
| Inventories | (1,390,313) | (1,637,034) |
| Other assets | 64,098 | 780,312 |
| Trade and other payables | 253,992 | 831,985 |
| Employee benefits | 439,174 | 109,013 |
| Tax balances | (2,165,943) | (651,445) |
| Net cash from operating activities | 8,944,729 | 12,495,658 |

### C2 Trade and other receivables

| | 2017 | 2016 |
|---|---|---|
| Trade receivables | 3,440,427 | 4,078,002 |
| Trade receivables due from related parties (refer note H2) | 4,159 | 11,708 |
| | 3,444,586 | 4,089,710 |

**Recognition and measurement**

Trade and other receivables are initially recognised as fair value and subsequently measured at amortised cost less provision for doubtful debts. Trade receivables are due for settlement no more than 30-60 days from the date of recognition.

# Notes to the consolidated financial statements

# For the year ended 30 June 2017

**Section C Operating Assets and Liabilities (continued)**

## C3 Inventories

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Raw materials | 3,007,675 | 2,014,449 |
| Work in progress | 588,623 | 595,679 |
| Finished goods | 3,978,442 | 4,899,453 |
| Consumables | 303,174 | 191,627 |
| Allowance for inventory obsolescence | (597,085) | (957,430) |
| | 7,280,829 | 6,743,778 |

### Recognition and measurement

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories sold and recognised as an expense during the year ended 30 June 2017 was $24,653,073 (2016: $22,156,338).

## C4 Assets held for sale

Part of the C&R segment is presented as assets held for sale following the commitment of the Group's management to sell certain assets related to its operation located at North Carolina, USA. Efforts to sell the assets were well progressed at year end, with the transaction expected to conclude during the 2018 financial year. The sale related to non-cooling components of the business, with the Group intending to focus resources on supporting and developing higher margin, cooling related business.

At 30 June 2017, the carrying value of assets held for sale was:

| | 2017 | 2016 |
|---|---|---|
| Inventories | 853,262 | - |
| Property, plant and equipment | 207,915 | - |
| | 1,061,177 | - |

## C5 Other assets

| | 2017 | 2016 |
|---|---|---|
| Prepayments | 109,257 | 319,122 |
| Deposits | 348,399 | 167,609 |
| Other assets | 43,106 | 144,672 |
| | 500,762 | 631,403 |

# Notes to the consolidated financial statements

## For the year ended 30 June 2017

**Section C Operating Assets and Liabilities (continued)**

### C6 Property, plant and equipment

| | 2017 $ | 2016 $ |
|---|---|---|
| Plant and equipment – at cost | 11,650,924 | 10,628,238 |
| Accumulated depreciation | (5,980,094) | (5,055,810) |
| | 5,670,830 | 5,572,428 |
| Motor vehicles – at cost | 377,840 | 419,860 |
| Accumulated depreciation | (243,278) | (229,662) |
| | 134,562 | 190,198 |
| Under construction | 2,084,902 | 146,518 |
| | 7,890,294 | 5,909,144 |

**Reconciliations**

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

| 2017 | *Plant and equipment* | *Motor vehicles* | *Under construction* | *Total* |
|---|---|---|---|---|
| **Cost** | | | | |
| Opening balance | 10,628,238 | 419,860 | 146,518 | 11,194,616 |
| Additions | 1,893,620 | 40,303 | 1,938,384 | 3,872,307 |
| Disposals | (393,342) | (75,970) | - | (469,312) |
| Transferred to assets held for sale | (413,573) | - | - | (413,573) |
| Effect of movements in exchange rates | (64,019) | (6,353) | - | (70,372) |
| Closing balance | 11,650,924 | 377,840 | 2,084,902 | 14,113,666 |
| **Accumulated depreciation** | | | | |
| Opening balance | 5,055,810 | 229,662 | - | 5,285,472 |
| Disposals | (279,654) | (25,684) | - | (305,338) |
| Depreciation | 1,431,424 | 41,887 | - | 1,473,311 |
| Transferred to assets held for sale | (205,658) | - | - | (205,658) |
| Effect of movements in exchange rates | (21,828) | (2,587) | - | (24,415) |
| Closing balance | 5,980,094 | 243,278 | - | 6,223,372 |
| Net carrying amount | 5,670,830 | 134,562 | 2,084,902 | 7,890,294 |

**Section C Operating Assets and Liabilities (continued)**

## C6 Property, plant and equipment

**Reconciliations (continued)**

| **2016** | ***Plant and equipment*** | ***Motor vehicles*** | ***Under construction*** | ***Total*** |
|---|---|---|---|---|
| **Cost** | | | | |
| Opening balance | 8,428,985 | 449,389 | 19,025 | 8,897,399 |
| Additions | 2,285,940 | - | 127,493 | 2,413,433 |
| Disposals | (89,600) | (28,981) | - | (118,581) |
| Effect of movements in exchange rates | 2,913 | (548) | - | 2,365 |
| Closing balance | 10,628,238 | 419,860 | 146,518 | 11,194,616 |
| **Accumulated depreciation** | | | | |
| Opening balance | (3,978,333) | (191,541) | - | (4,169,874) |
| Disposals | 32,611 | 16,528 | - | 49,139 |
| Depreciation | (1,136,339) | (61,987) | - | (1,198,326) |
| Effect of movements in exchange rates | 26,251 | 7,338 | - | 33,589 |
| Closing balance | 5,055,810 | 229,662 | - | 5,285,472 |
| Net carrying amount | 5,572,428 | 190,198 | 146,518 | 5,909,144 |

The plant and equipment balance as at 30 June 2017 includes assets with carrying amounts of $1,015,261 under finance lease (2016: $1,937,418). During the year, the Group did not acquire any assets under finance lease (2016: $1,138,910).

**Recognition and measurement**

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Cost also may include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within other income in profit or loss.

**Subsequent costs**

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

**Section C Operating Assets and Liabilities (continued)**

## C6 Property, plant and equipment (continued)

### Depreciation

Depreciation is calculated to write off the cost of property, plant and equipment less their estimated residual values using the straight-line and/or diminishing value basis over their estimated useful lives, and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives are as follows:

| | 2017 | 2016 |
|---|---|---|
| • Plant and equipment | 2-7 years | 2-7 years |
| • Motor vehicles | 4-6 years | 4-6 years |

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

## C7 Intangible assets

| | Note | Goodwill | Trademarks | Total |
|---|---|---|---|---|
| **2017** | | | | |
| Cost | | 3,143,692 | 10,985,366 | 14,129,058 |
| Accumulated amortisation | | - | - | - |
| | | 3,143,692 | 10,985,366 | 14,129,058 |
| **2016** | | | | |
| Cost | | 3,188,984 | 10,985,366 | 14,174,350 |
| Accumulated amortisation | | - | - | - |
| | | 3,188,984 | 10,985,366 | 14,174,350 |
| **Reconciliations** | | | | |
| **2017** | | | | |
| Carrying amount at beginning of year | | 3,188,984 | 10,985,366 | 14,174,350 |
| Amortisation | | - | - | - |
| Effect of movements in exchange rates | | (45,292) | - | (45,292) |
| Balance at the end of the year | | 3,143,692 | 10,985,366 | 14,129,058 |
| **2016** | | | | |
| Carrying amount at beginning of year | | 3,140,525 | 10,985,366 | 14,125,891 |
| Amortisation | | - | - | - |
| Effect of movements in exchange rates | | 48,459 | - | 48,459 |
| Balance at the end of the year | | 3,188,984 | 10,985,366 | 14,174,350 |

## Section C Operating Assets and Liabilities (continued)

### C7 Intangible assets (continued)

#### Recognition and measurement

***Goodwill***

Goodwill on acquisition is initially measured at cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. At the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Goodwill is not amortised.

***Trademarks***

Separately acquired trademarks are measured initially at cost of acquisition. Trademarks acquired in a business combination are recognised at fair value at the acquisition date. Fair value is determined using the relief from royalty method.

The Group's trademarks are subsequently carried at cost less impairment losses and are not amortised as they are considered to have an indefinite useful life.

***Impairment***

*Non-financial assets*

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. Goodwill and trademarks with an indefinite life are tested annually for impairment.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of other assets in the CGU on a pro rata basis. An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**Section C Operating Assets and Liabilities (continued)**

### C7 Intangible assets (continued)

**Impairment**

For the purpose of impairment testing, goodwill and trademarks are allocated to the Group's cash generating units (CGUs) as follows:

| | PWR Performance Products | | C&R | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| | **$** | **$** | **$** | **$** |
| Goodwill | 1,931,000 | 1,931,000 | 1,212,692 | 1,257,984 |
| Trademarks | 8,432,116 | 8,432,116 | 2,553,250 | 2,553,250 |
| | 10,363,116 | 10,363,116 | 3,765,942 | 3,811,234 |

The recoverable amount of each CGU was based on its value in use, determined by discounting the future cash flows to be generated from the continuing use of each CGU. The carrying amount of each CGU was determined to be less than its recoverable amount and accordingly, no impairment loss was recognised.

Value in use is calculated based on the present value of the cash flow projections over a five year period and include a terminal value at the end of year five. The cash flow projections over the five year period are based on the Group's budget for 2018 and growth over the forecast periods based on the Group's business plans and management's assessment of the impacts of underlying economic conditions, past performance and other factors on each CGU's financial performance. For the C&R CGU, the cashflow projections include management's estimate of the expected growth from C&R's involvement in OEM programs as a cooling assembly supplier. The long term growth rate used in calculating the terminal value is based on long term inflation estimates for the country and industry in which each CGU operates.

The cash flows are discounted to their present value using a pre-tax discount rate based on a weighted average cost of capital adjusted for country and industry specific risks associated with each CGU.

Key assumptions used in the estimation of value in use were:

| | **2017** | **2016** |
|---|---|---|
| ***PWR Performance Products*** | **%** | **%** |
| Discount rate – pre tax | 17.2% | 16.5% |
| Terminal value growth rate | 2.0% | 2.0% |
| Revenue – compound annual growth rate | 2.0% | 5.0% |
| | | |
| ***C&R*** | | |
| Discount rate – pre tax | 15.9% | 15.5% |
| Terminal value growth rate | 2.0% | 2.0% |
| Revenue – compound annual growth rate | 11.8% | 2.0% |

**Section C Operating Assets and Liabilities (continued)**

## C8 Trade and other payables

Trade and other payables are carried at amortised cost.

| | 2017 $ | 2016 $ |
|---|---|---|
| Trade payables | 1,185,232 | 940,174 |
| Other payables | 1,735,597 | 1,722,022 |
| | 2,920,829 | 2,662,196 |

**Recognition and measurement**

Trade and other payables are carried at amortised cost.

Information about the Group's exposure to currency and liquidity risk is disclosed in Note H1.

## C9 Provisions

| **Warranties** | | |
|---|---|---|
| Carrying amount at beginning of year | 119,009 | 99,688 |
| Provisions made during the year | - | 17,693 |
| Provisions used during the year | - | - |
| Provisions reversed during the year | (3,140) | - |
| Effect of movements in exchange rates | (1,502) | 1,628 |
| Balance at the end of the year | 114,367 | 119,009 |

**Recognition and measurement**

***Warranties***

A provision for warranties is recognised when the underlying products are sold, based on historical warranty data and a weighting of possible outcomes against their assumed possibilities.

Provision for warranties relates to products sold during the current and prior financial years. The provision is based on estimates made from historical warranty data. The Group expects to settle the majority of the liability over the next year.

## Section D Employee Benefits

### D1 Employee benefits

| | 2017 | 2016 |
|---|---|---|
| **Current** | **$** | **$** |
| Annual leave liability | 1,138,689 | 744,724 |
| Long service leave liability | 281,967 | 225,083 |
| | 1,420,656 | 969,807 |
| **Non-current** | | |
| Long service leave liability | 112,090 | 123,765 |

During the year ended 30 June 2017, the Group contributed $962,692 (2016: $711,406) to defined contribution plans. These contributions are included in employee expenses in the statement of profit or loss and other comprehensive income.

**Recognition and measurement**

***Short-term employee benefits***

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be estimated reliably.

***Long-term employee benefits***

The Group's net obligation in respect of long-term employee benefits is the amount of future benefits that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognised in profit or loss in the period in which they arise.

***Share based payment transactions***

The grant-date fair value of share-based payment awards granted to employees is recognised as an expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

***Termination benefits***

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

***Defined contribution funds***

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

### D2 Key management personnel compensation

Key management personnel compensation comprised the following:

| | | |
|---|---|---|
| Short-term employee benefits | 1,682,604 | 1,999,761 |
| Termination benefits | 191,996 | - |
| Post-employment benefits | 139,751 | 130,218 |
| Share based payments | 48,939 | - |
| Other long term benefits | 9,491 | 23,410 |
| | 2,072,781 | 2,153,389 |

**Section D Employee Benefits (continued)**

## D3 Share based payments

During the year the Board approved the grant of performance rights to employees under the terms of the Performance Rights Plan (the Plan) following approval at the Company's Annual General Meeting on 21 October 2016.

Under the Plan, the Board may issue employees conditional performance rights for no consideration. Subject to the achievement of vesting conditions, the performance rights entitle the employee to receive ordinary shares in the Company at no cost.

Vesting of the performance rights approved during the half year is subject to meeting a 3 year service condition and achievement of performance hurdles (based on either an EPS growth target or total shareholder return (TSR) ranking). The performance period for the rights issued is from 1 July 2016 to 30 June 2019.

135,875 performance rights were issued to key management personnel during the year with 50% subject to the EPS performance hurdle and 50% subject to the TSR performance hurdle. 135,875 performance rights remain on issue at 30 June 2017.

In accordance with the Group's accounting policy, the grant date fair values of the rights issued will be recognised as an expense over the vesting period. An expense of $48,939 was recognised during the year and included in "employee expenses" in the statement of profit or loss and other comprehensive income.

### Measurement of fair values

The fair value of the TSR component of the performance rights has been measured using a Monte Carlo simulation. The fair value of the EPS component of the performance rights has been measured using the Black Scholes formula.

The inputs used in the measurement of the fair values at grant date of the equity-settled share-based payments were as follows:

| | TSR component | EPS component |
|---|---|---|
| Fair value at grant date | $0.86 | $2.37 |
| Share price at grant date | $2.48 | $2.48 |
| Exercise price | Nil | N/A |
| Expected volatility | 40.0% | N/A |
| Risk free rate | 1.92% | N/A |
| Expected life | 2.73 years | 2.73 years |
| Expected dividends | 1.62% | 1.62% |

Expected volatility has been based on an evaluation of the historical volatility of the Company's share price prior to the grant date.

## Section E Taxation

### E1 Income tax expense

| | 2017 | 2016 |
|---|---|---|
| **Current tax expense** | **$** | **$** |
| Current period | 4,074,792 | 4,585,616 |
| (over)/under provision in prior period | (143,808) | - |
| | 3,930,984 | 4,585,616 |
| **Deferred tax expense** | | |
| Origination and reversal of temporary differences | (196,403) | (861,093) |
| Over provision in prior period | (65,129) | - |
| | (261,532) | (861,093) |
| Total income tax expense | 3,669,452 | 3,724,523 |
| | | |
| Numerical reconciliation between tax expense and pre-tax accounting profit | | |
| Profit for the period | 9,280,143 | 8,735,466 |
| Total income tax expense | 3,669,452 | 3,724,523 |
| Profit excluding income tax | 12,949,595 | 12,459,989 |
| | | |
| Income tax using the Company’s domestic tax rate of 30% | 3,884,879 | 3,737,997 |
| Research and development expenses | (180,395) | (50,000) |
| Effect of tax rates in foreign jurisdictions | (58,326) | (43,296) |
| Other | 23,294 | 79,822 |
| | 3,669,452 | 3,724,523 |

**Recognition and measurement**

Income tax on the profit or loss for the year comprises current and deferred tax. Current and deferred tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance date, and any adjustments to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of goodwill, the initial recognition of assets and liabilities that affect neither accounting nor taxable profit, and difference relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

## Section E Taxation (continued)

### E1 Income tax expense (continued)

#### Recognition and measurement (continued)

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such as changes to tax liabilities will impact tax expense in the period that such a determination is made.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

### E2 Tax assets and liabilities

#### Current tax assets and liabilities

The current tax asset of $900,168 (2016: liability of $408,648) represents the amount of income tax receivable/payable in respect of current and prior periods to the relevant tax authority.

#### Movement in deferred tax balances

| | Net balance at 1 July | Recognised in profit or loss | Recognised in equity | Exchange rate movements | Net | Deferred tax assets | Deferred tax liabilities |
|---|---|---|---|---|---|---|---|
| **2017** | **$** | **$** | **$** | **$** | **$** | **$** | **$** |
| Property, plant and equipment | - | (451,182) | - | 719 | (450,463) | - | (450,463) |
| Employee benefits | 285,377 | 375,043 | - | 1,176 | 661,596 | 661,596 | - |
| Accruals | 273,329 | (210,898) | - | 569 | 63,000 | 63,000 | - |
| Inventories | 322,932 | 448,251 | - | (1,262) | 769,921 | 793,490 | (23,569) |
| Unrealised foreign exchange | (46,786) | 47,553 | - | (200) | 567 | 25,241 | (24,674) |
| Tax losses | - | 361,806 | - | - | 361,806 | 361,806 | - |
| Capital raising costs | 975,149 | (294,086) | - | - | 681,063 | 681,063 | - |
| Other items | 11,994 | (80,084) | - | 3,108 | (64,982) | 213,844 | (278,826) |
| Net tax assets/(liabilities) | 1,821,995 | 196,403 | - | 4,110 | 2,022,508 | 2,800,040 | 777,532 |
| **2016** | | | | | | | |
| Property, plant and equipment | (86,549) | 86,549 | - | - | - | - | - |
| Employee benefits | 318,885 | (19,238) | - | (14,270) | 285,377 | 285,377 | - |
| Accruals | 150,222 | 135,439 | - | (12,332) | 273,329 | 273,329 | - |
| Inventories | 282,566 | 44,331 | - | (3,965) | 322,932 | 322,932 | - |
| Unrealised foreign exchange | (70,070) | 23,284 | - | - | (46,786) | - | (46,786) |
| Tax losses | 94,672 | (94,672) | - | - | - | - | - |
| Capital raising costs | - | 639,825 | 335,324 | - | 975,149 | 975,149 | - |
| Other items | (33,581) | 45,575 | - | - | 11,994 | 11,994 | - |
| Net tax assets/(liabilities) | 656,145 | 861,093 | 335,324 | (30,567) | 1,821,995 | 1,868,781 | (46,786) |

## Section F Capital Structure and Borrowings

### F1 Loans and borrowings

| | 2017 $ | 2016 $ |
|---|---|---|
| **Current** | | |
| Finance lease liability | 289,832 | 396,621 |
| **Non-current** | | |
| Finance lease liability | 473,808 | 763,641 |

During the prior year, the Group repaid in full its domestic foreign currency debt facilities of £7.2 million (A$13.8 million) and US$4.9 million (A$6.5 million). The repayment was funded by the proceeds of the initial public offering undertaken by the Company during the prior year.

**Finance facilities**

The terms and conditions of the Group's finance facilities are as follows:

| | | | | 2017 | | 2016 | |
|---|---|---|---|---|---|---|---|
| **Facility** | **Currency** | **Nominal interest rate** | **Maturity** | **Facility limit $** | **Carrying amount $** | **Facility limit $** | **Carrying amount $** |
| Trade finance | AUD | Variable | - | 500,000 | - | 500,000 | - |
| Corporate credit card | AUD | Variable | - | 50,000 | - | 50,000 | - |
| Finance lease | AUD | 5.4%-8.2% | 2017-2020 | 5,000,000 | 763,640 | 5,000,000 | 1,160,262 |
| Foreign currency advance facility | USD | LIBOR+ 2.2% | 2020 | 4,000,000 | - | - | - |

Finance facilities are secured by charges over the Group's assets. Under the terms of the agreements, the Company and several of its wholly owned subsidiaries jointly and severally guarantee and indemnify the lender in relation to the borrower's obligations.

**Finance leases**

Finance lease liabilities are payable as follows:

| | Future minimum lease payments | | Interest | | Present value of minimum lease payments | |
|---|---|---|---|---|---|---|
| | **2017 $** | **2016 $** | **2017 $** | **2016 $** | **2017 $** | **2016 $** |
| Less than one year | 317,018 | 440,337 | 27,186 | 43,716 | 289,832 | 396,621 |
| Between one and five years | 505,938 | 822,956 | 32,130 | 59,315 | 473,808 | 763,641 |
| More than five years | - | - | - | - | - | - |
| | 822,956 | 1,263,293 | 59,316 | 103,031 | 763,640 | 1,160,262 |

The Group leases operating equipment used in the manufacturing process and motor vehicles under finance leases.

## Section F Capital Structure and Borrowings (continued)

### F1 Loans and borrowings (continued)

**Recognition and measurement**

***Non-derivative financial liabilities***

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

Interest-bearing loans and liabilities are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

***Derivative financial instruments***

The Group may use derivative financial instruments to manage its foreign currency exposures. Embedded derivatives are separated from the host contract and accounted for separately if certain criteria are met.

Derivatives are recognised initially at fair value, any directly attributable transaction costs are recognised in profit or loss as they are incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

### F2 Capital and reserves

| | 2017 | | 2016 | |
|---|---|---|---|---|
| **Share capital** | **No. of shares** | **$** | **No. of shares** | **$** |
| ***Ordinary shares*** | | | | |
| Balance at beginning of year | 100,000,000 | 25,920,826 | 1,000,000 | 2,553,251 |
| Share subdivision (i) | - | - | 82,900,000 | - |
| Issued for initial public offering (ii) | - | - | 16,100,000 | 24,150,000 |
| Transaction costs recognised during the year, net of tax | - | - | - | (782,425) |
| Balance at end of year | 100,000,000 | 25,920,826 | 100,000,000 | 25,920,826 |

**(i) Share subdivision**

In October 2015, the Company subdivided its shares, with the existing 1,000,000 shares split into 83,900,000 shares.

**Section F Capital Structure and Borrowings (continued)**

## F2 Capital and reserves (continued)

### (ii) Initial public offering

In October 2015, the Company issued a prospectus for the purposes of an initial public offering of 54.5 million shares at an offer price of $1.50 per share, comprising the sell down of 38.4 million existing shares by existing shareholders and the issue of 16.1 million new shares. As a result:

- The Company listed on the Australian Securities Exchange (ASX code PWH) on 18 November 2015, raising $24.2 million;
- The Group repaid debt of £7.2 million (A$13.8 million) and US$4.9 million (A$6.5 million);
- The Company incurred $3.8 million before tax in costs in relation to the transaction, of which $1.1 million was allocated to equity and $2.7 million was recorded as an expense.

### Capital management

The Board aims to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the capital base as well as the level of dividends to ordinary shareholders.

There were no changes in the Group’s approach to capital management during the year.

### Recognition and measurement

***Ordinary shares***

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares are recognised as a deduction from equity, net of any related income tax benefit.

The Company does not have authorised capital or par value in respect of its issued shares. All shares are fully paid. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

***Foreign currency translation reserve***

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as the effective portion of any foreign currency differences arising from hedges of a net investment in a foreign operation.

***Share based payments reserve***

The share based payments reserve comprises the grant-date fair value of share-based payment awards granted to employees.

## F3 Dividends

Dividends recognised in the current year by the Company are:

| **2017** | **Cents per share $** | **Total amount $** | **Franked/ unfranked** | **Date of payment** |
|---|---|---|---|---|
| Interim 2017 ordinary | 0.90 | 900,000 | Franked | 7 April 2017 |
| Total amount | | 900,000 | | |
| **2016** | | | | |
| Final 2016 ordinary | 3.78 | 3,780,000 | Franked | 19 September 2016 |
| Total amount | | 3,780,000 | | |

Franked dividends declared or paid during the year were franked at the tax rate of 30 percent.

**Section F Capital Structure and Borrowings (continued)**

## F3 Dividends (continued)

### Dividend franking account

| | 2017 | 2016 |
|---|---|---|
| 30 percent franking credits available to shareholders of PWR Holdings Limited | 996,471 | 832,804 |

At 30 June 2017, the franking credits of the Group were 5,980,860.

The ability to utilise the franking credits is dependent upon the ability to declare dividends.

### Recognition and measurement

Dividends are recognised as a liability in the period in which they are declared.

## F4 Commitments

### Operating leases

| | 2017 | 2016 |
|---|---|---|
| Non-cancellable operating leases are payable as follows: | $ | $ |
| Less than one year | 1,615,509 | 1,443,038 |
| Between one and five years | 6,316,753 | 5,892,379 |
| More than five years | 3,762,296 | 4,896,929 |
| | 11,694,558 | 12,232,346 |

The Group leases its office and factory facilities under operating leases from related parties (refer note H2) as well as from non-related entities. During the financial year ended 30 June 2017 $1,503,920 was recognised as an expense in the income statement in respect of operating leases (2016: $1,404,746).

### Recognition and measurement

***Leased assets***

Assets held by the Group under leases that transfer to the Group substantially all the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position.

***Lease payments***

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

### Other commitments

At 30 June 2017, the Group had agreed to purchase plant and equipment for $1,415,658 (2016: $764,280).

## Section G Group Structure

### G1 Parent entity information

As at and throughout the financial year ended 30 June 2017, the parent and ultimate parent entity of the Group was PWR Holdings Limited.

| | 2017 | 2016 |
|---|---|---|
| **Statement of profit or loss and other comprehensive income** | **$** | **$** |
| Profit/(Loss) after income tax | 5,929,294 | 617,316 |
| **Total comprehensive income** | 5,929,294 | 617,316 |
| **Statement of financial position** | | |
| Total current assets | 14,342 | 68,363 |
| Total non-current assets | 27,994,185 | 26,672,630 |
| **Total assets** | 28,008,527 | 26,740,993 |
| Total current liabilities | 232,568 | 263,267 |
| Total non-current liabilities | - | - |
| **Total liabilities** | 232,568 | 263,267 |
| **Net assets** | 27,775,959 | 26,477,726 |
| **Equity** | | |
| Issued capital | 25,920,826 | 25,920,826 |
| Reserves | 48,939 | - |
| Retained earnings | 1,806,194 | 556,900 |
| **Total equity** | 27,775,959 | 26,477,726 |

**Contingent liabilities**

The parent entity is party to a cross guarantee and indemnity in relation to the Group's borrowing arrangements, refer note F1. The parent had no other contingent liabilities at 30 June 2017.

**Capital commitments**

The parent entity had no capital commitments for property, plant and equipment at 30 June 2017.

**Significant accounting policies**

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in the notes.

**Section G Group Structure (continued)**

**G2 Controlled entities**

The following entities are subsidiaries of the parent entity, the results of which are included in the consolidated financial statements of the Group.

| | | Ownership interest | |
|---|---|---|---|
| | Country of incorporation | 2017 % | 2016 % |
| PWR Performance Products Pty Ltd | Australia | 100 | 100 |
| PWR IP Pty Ltd | Australia | 100 | 100 |
| PWR Europe Limited | UK | 100 | 100 |
| C&R Racing Inc | USA | 100 | 100 |

**G3 Deed of cross guarantee**

Pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785, the wholly owned subsidiaries listed below are relieved from the Corporations Act 2001 requirements for the preparation, audit and lodgement of financial reports, and Directors' reports.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor, payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The subsidiaries subject to the Deed are:

PWR Performance Products Pty Ltd
PWR IP Pty Ltd

All subsidiaries became a party to the Deed on 18 May 2017.

# Notes to the consolidated financial statements

# For the year ended 30 June 2017

## Section G Group Structure (continued)

### G3 Deed of cross guarantee (continued)

A consolidated statement of comprehensive income and consolidated statement of financial position, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, for the year ended 30 June 2017 is set out below. As the deed was only entered into during the year ended 30 June 2017, no comparative information has been presented.

| Statement of profit or loss and other comprehensive income | 2017<br>$ |
|---|---|
| Revenue | 33,565,093 |
| Other income | 2,329,159 |
| | |
| Raw materials and consumables used | (6,444,681) |
| Changes in inventories of finished goods and work in progress | 235,873 |
| Employee expenses | (13,282,241) |
| Depreciation and amortisation | (1,064,401) |
| Occupancy expenses | (1,001,807) |
| Other expenses | (1,677,801) |
| **Results from operating activities** | 12,659,194 |
| | |
| Finance income | 446,745 |
| Finance costs | (550,342) |
| **Net finance income/(costs)** | (103,597) |
| | |
| **Profit before income tax** | 12,555,597 |
| Income tax expense | (3,649,962) |
| **Profit for the year attributable to equity holders of the parent** | 8,905,635 |
| | |
| **Total comprehensive income for the year** | 8,905,635 |

# PWR Holdings Limited
# and its controlled entities

## Notes to the consolidated financial statements

## For the year ended 30 June 2017

**Section G Group Structure (continued)**

**G3 Deed of cross guarantee (continued)**

| **Statement of financial position** | **2017** |
|---|---|
| | **$** |
| **Assets** | |
| **Current assets** | |
| Cash and cash equivalents | 7,332,741 |
| Trade and other receivables | 4,963,507 |
| Inventories | 4,182,339 |
| Current tax assets | 981,289 |
| Other assets | 447,920 |
| **Total current assets** | 17,907,796 |
| | |
| **Non-current assets** | |
| Property, plant and equipment | 5,601,962 |
| Intangible assets | 10,985,366 |
| Related party loans | 6,428,795 |
| Investments in subsidiaries | 1,943,619 |
| Deferred tax assets | 1,143,376 |
| **Total non-current assets** | 26,103,118 |
| **Total assets** | 44,010,914 |
| | |
| **Liabilities** | |
| **Current liabilities** | |
| Trade and other payables | 1,850,305 |
| Loans and borrowings | 289,832 |
| Employee benefits | 1,337,724 |
| Provisions | 75,057 |
| **Total current liabilities** | 3,552,918 |
| | |
| **Non-current liabilities** | |
| Loans and borrowings | 473,808 |
| Employee benefits | 112,090 |
| **Total non-current liabilities** | 585,898 |
| **Total liabilities** | 4,138,816 |
| **Net assets** | 39,872,098 |
| | |
| **Equity** | |
| Issued capital | 25,920,826 |
| Reserves | 48,939 |
| Retained earnings | 13,902,333 |
| **Total equity** | 39,872,098 |

## Section H Other Information

### H1 Financial risk management

The Group has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

The note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

**Risk management framework**

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management activities are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management activities are reviewed to reflect changes in market conditions and the Group's operations. The Group aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

**Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry and country in which customers operate. Further details of concentration of revenue are included in Note B1.

Management assesses each new customer for creditworthiness before the Group's standard payment and delivery terms and conditions are offered.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the end of the reporting period was as follows.

| | | **Carrying amount** | |
|---|---|---|---|
| | **Note** | **2017** | **2016** |
| | | **$** | **$** |
| Cash and cash equivalents | *C1* | 9,063,782 | 8,796,805 |
| Trade and other receivables | *C2* | 3,444,586 | 4,089,710 |
| | | 12,508,368 | 12,886,515 |

*Cash and cash equivalents*

The Group held cash and cash equivalents of $9,063,782 at 30 June 2017 (2016: $8,796,805), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with bank and financial institution counterparties, which are rated AA- to AA+, based on independent rating agency ratings.

**Section H Other Information (continued)**

### H1 Financial risk management (continued)

#### Credit risk (continued)

*Trade and other receivables*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the country in which customers operate, as these factors may have an influence on credit risk.

***Exposure to credit risk***

The maximum exposure to credit risk for trade and other receivables at the end of the reporting period by geographic region was as follows.

| | Carrying amount | |
|---|---|---|
| | **2017** | **2016** |
| | **$** | **$** |
| Australia | 701,948 | 1,135,783 |
| UK | 1,479,048 | 1,620,964 |
| USA | 1,263,590 | 1,332,963 |
| | 3,444,586 | 4,089,710 |

The ageing of the Group's trade and other receivables at the end of the reporting date was as follows:

| | | |
|---|---|---|
| Not past due | 2,899,843 | 3,136,387 |
| Past due 1-30 days | 442,837 | 771,742 |
| Past due 31-60 days | 101,776 | 157,088 |
| Past due > 61 days | 80,870 | 24,493 |
| | 3,525,326 | 4,089,710 |
| Provision for impairment | (80,740) | - |
| | 3,444,586 | 4,089,710 |

Management believes that the unimpaired amounts that are past due by more than 30 days are still collectible in full, based on historic payment behaviour and analysis of customer credit risk.

Impairment losses of $80,740 were recognised in respect of trade and other receivables during the year (2016: nil).

#### Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

In addition, the Group maintains the following lines of credit, see note F1:

- A$500,000 trade finance facility;
- A$5,000,000 asset finance facility;
- US$4,000,000 foreign currency advance facility; and
- A$50,000 corporate credit card facility.

## Section H Other Information (continued)

### H1 Financial risk management (continued)

**Liquidity risk (continued)**

The following are the remaining contractual maturities at the end of the reporting period of financial liabilities, including estimated interest payments.

| | Note | Carrying amount | Contractual cash flows Total | 12 months | 1-5 years | More than 5 years |
|---|---|---|---|---|---|---|
| **2017** | | $ | $ | $ | $ | $ |
| Trade and other payables | *C8* | 2,920,829 | (2,920,829) | (2,920,829) | - | - |
| Finance lease liabilities | *F1* | 763,640 | (822,956) | (317,018) | (505,938) | - |
| | | 3,684,469 | (3,742,785) | (3,237,847) | (505,938) | |
| **2016** | | | | | | |
| Trade and other payables | *C8* | 2,662,196 | (2,662,196) | (2,662,196) | - | - |
| Finance lease liabilities | *F1* | 1,160,262 | (1,263,293) | (440,337) | (822,956) | - |
| | | 3,822,458 | (3,925,489) | (3,102,533) | (822,956) | |

**Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

***Currency risk***

The Group is exposed to currency risk on its financial assets and liabilities arising from sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, being the Australian dollar (AUD), Pound Sterling (GBP) and US dollar (USD). The currencies in which these transactions are denominated are primarily AUD, GBP and USD.

*Exposure to currency risk*

A summary of quantitative data about the Group's exposure to currency risk on financial assets and liabilities at year end is as follows:

| | | 30 June 2017 | | | 30 June 2016 | | |
|---|---|---|---|---|---|---|---|
| | **Note** | **AUD** | **GBP** | **USD** | **AUD** | **GBP** | **USD** |
| Trade receivables | *C2* | 437,661 | 878,551 | 1,160,494 | 518,034 | 914,775 | 1,410,291 |
| Trade payables | *C8* | (762,843) | (79,715) | (219,528) | (336,161) | (177,850) | (94,307) |
| Net statement of financial position exposure | | (325,182) | 798,836 | 940,966 | 181,873 | 736,925 | 1,315,984 |

# Notes to the consolidated financial statements

# For the year ended 30 June 2017

**Section H Other Information (continued)**

## H1 Financial risk management (continued)

### Market risk (continued)

***Currency risk (continued)***

*Sensitivity analysis*

A strengthening (weakening) of the GBP or USD against the AUD at 30 June would have affected the measurement of financial instruments denominated in a foreign currency and increased or (decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases. The analysis is performed on the same basis for 2016, albeit that the reasonably possible foreign exchange rate variances were different, as indicated below.

| | Profit or loss (net of tax) | | Equity (net of tax) | |
|---|---|---|---|---|
| | **Strengthening** | **Weakening** | **Strengthening** | **Weakening** |
| **30 June 2017** | **$** | **$** | **$** | **$** |
| GBP (10% movement) | 86,074 | (94,681) | 86,074 | (94,681) |
| USD (10% movement) | 78,397 | (86,237) | 78,397 | (86,237) |
| | | | | |
| **30 June 2016** | | | | |
| GBP (10% movement) | 84,909 | (93,400) | 84,909 | (93,400) |
| USD (10% movement) | 113,737 | (125,111) | 113,737 | (125,111) |

***Interest rate risk***

At the end of the reporting period the interest rate profile of the Group's interest-bearing financial instruments as reported to the management of the Group was as follows.

| | Nominal amount | |
|---|---|---|
| | **2017** | **2016** |
| **Fixed rate instruments** | **$** | **$** |
| Financial assets | - | - |
| Financial liabilities | (763,640) | (1,160,262) |
| | (763,640) | (1,160,262) |
| **Variable rate instruments** | | |
| Financial assets | 9,063,782 | 8,796,805 |
| Financial liabilities | - | - |
| | 9,063,782 | 8,796,805 |

**Section H Other Information (continued)**

## H1 Financial risk management (continued)

### Market risk (continued)

***Interest rate risk (continued)***

*Cash flow sensitivity analysis for variable rate instruments*

A change of 100 basis points in interest rates at the end of reporting period would have increased or (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

| | Profit or loss (net of tax) | | Equity (net of tax) | |
|---|---|---|---|---|
| | 100bp increase | 100bp decrease | 100bp increase | 100bp decrease |
| **30 June 2017** | $ | $ | $ | $ |
| Variable rate instruments | 63,446 | (63,446) | 63,446 | (63,446) |
| Cash flow sensitivity (net) | 63,446 | (63,446) | 63,446 | (63,446) |
| **30 June 2016** | | | | |
| Variable rate instruments | 62,499 | (62,499) | 62,499 | (62,499) |
| Cash flow sensitivity (net) | 62,499 | (62,499) | 62,499 | (62,499) |

***Fair values***

The fair values of the Group's financial assets and liabilities approximate their carrying amounts recognised in the statement of financial position.

## H2 Related party information

Certain key management personnel, or their related parties, hold positions in other entities that result in them having control, joint control or significant influence over the financial or operating policies of these entities.

A number of these entities transacted with the Group during the year. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control, joint control or significant influence were as follows:

| | | Transaction values during the year | | Balance outstanding Receivable/(Payable) | |
|---|---|---|---|---|---|
| | | 2017 | 2016 | 2017 | 2016 |
| **Entity** | **Transaction** | $ | $ | $ | $ |
| PWR Property Holdings Pty Ltd (i) | Property rent | 147,092 | 878,757 | - | - |
| Redback Radiators Pty Ltd (ii) | Sales of goods | - | 14,239 | - | - |
| | Purchase of products | - | 69,207 | - | - |
| Innotherm Pty Ltd (iii) | Sales of goods | - | 640 | - | 704 |
| | Administrative services | - | 8,000 | - | - |
| Bayswater Road Radiators Pty Ltd (iv) | Sales of goods | 46,331 | 44,847 | 4,159 | 11,004 |
| Paulsen Properties LLC (v) | Property rent | - | 260,462 | - | - |
| JG Parker Properties LLM (v) | Property rent | - | 104,340 | - | - |
| Triple Eight Race Engineering Pty Ltd (vi) | Sales of goods | 4,784 | - | 1,419 | - |

## Section H Other Information (continued)

### H2 Related party information (continued)

(i) The Group leased its Australian head office and factory facilities from an entity associated with Kees Weel until 31 August 2016.
(ii) Redback Radiators Pty Ltd is an entity that was associated with Kees Weel until 18 May 2016, which purchases goods and/or assets from the Group and sells products to the Group.
(iii) Innotherm Pty Ltd is an entity that was associated with Kees Weel until 16 February 2016, which purchases goods from the Group. The Group provided administrative services to Innotherm Pty Ltd.
(iv) Bayswater Road Radiators Pty Ltd is an entity associated with Kees Weel, which purchases goods from the Group.
(v) The Group leases its USA office and factory facilities from entities associated with Chris Paulsen, who was KMP until 25 January 2016.
(vi) Triple Eight Race Engineering Pty Ltd is an entity associated with Roland Dane, which purchases goods from the Group.

### H3 Auditors' Remuneration

| | 2017 | 2016 |
|---|---|---|
| **Audit services** | **$** | **$** |
| Auditors of the Group | | |
| *KPMG* | | |
| Audit of financial reports | 142,500 | 135,969 |
| *Accountability GB* | | |
| Audit of financial reports | 13,546 | 16,273 |
| | | |
| **Other services** | | |
| Auditors of the Group | | |
| *KPMG* | - | - |
| *Accountability GB* | | |
| Taxation Services | 1,623 | 1,633 |

### H4 Subsequent events

The Board declared a fully franked final dividend of 4.70 cents per share. The financial effect of the 2017 declared final dividend has not been brought to account in the consolidated financial statements for the year ended 30 June 2017.

Other than the matter noted above, there has not arisen in the interval since the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Group, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

### H5 New accounting standards

**New standards and interpretations not yet adopted**

A number of new standards and amendments to standards are effective for annual periods beginning after 1 July 2016 and earlier adoption is permitted, however the Group has not early adopted the following new or amended standards in preparing these consolidated financial statements.

***Disclosure Initiative (Amendments to AASB 107)***

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are effective for annual periods beginning on or after 1 January 2017, with early adoption permitted. To satisfy the new disclosure requirements, the Group intends to present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities.

## Section H Other Information (continued)

### H5 New accounting standards (continued)

**New standards and interpretations not yet adopted (continued)**

***AASB 15 Revenue from Contracts with Customers***

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 18 *Revenue*. AASB 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

Under AASB 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

The Group recognises revenue from the following sources:

- Sale of manufactured products;
- Sale of manufactured tooling fixtures which are used in the process of manufacturing products;
- Provision of wind tunnel testing services; and
- Recovery of freight and sale of scrap raw material.

The Group's current accounting policies for the recognition and measurement of revenue is disclosed in note B2. The Group has completed an initial assessment of the application of AASB 15 to these arrangements and is currently performing a more detailed assessment on areas identified as potentially being impacted. The Group expects to disclose additional quantitative information before it adopts AASB 15.

The Group plans to adopt AASB 15 in its consolidated financial statements for the year ending 30 June 2019, using the retrospective approach. As a result, the Group will apply all of the requirements of AASB 15 to each comparative period presented and adjust its consolidated financial statements.

***AASB 16 Leases***

AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remain similar to the current standard, ie. lessors continue to classify leases as finance or operating leases.

The standard is effective for annual period beginning on or after 1 January 2019. Early adoption is permitted for entities that apply AASB 15 *Revenue from Contracts with Customers* at or before the date of initial application of AASB 16. The Group plans to apply AASB 16 initially in its financial statements for the year ending 30 June 2020.

The Group has started an initial assessment of the potential impact on its consolidated financial statements, with the most significant impact identified so far being that the Group will recognise new assets and liabilities for its operating leases of factory and office facilities. In addition, the nature of expenses related to those leases will now change as AASB 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. The Group has not yet decided whether it will use the optional exemptions. No significant impact is expected for the Group's finance leases.

The Group has not yet quantified the impact on its reported assets and liabilities of adoption of AASB 16. The quantitative effect will depend on, inter alia, the transition method chosen, the extent to which the Group uses the practical expedients and recognition exemptions, and any additional leases that the Group enters into. The Group expects to disclose its transition approach and quantitative information before adoption.

## Section H Other Information (continued)

### H5 New accounting standards (continued)

**New standards and interpretations not yet adopted (continued)**

***AASB 9 Financial Instruments***

AASB 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Group plans to apply AASB 9 initially in its financial statements for the year ending 30 June 2019. AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement* and includes revised guidance on the classification and measurement of financial instruments, a new 'expected credit loss model' for calculating impairment on financial assets and new general hedge accounting requirements.

The actual impact of adopting AASB 9 on the Group's consolidated financial statements is not known and cannot be reliably estimated because it will be dependent on the financial instruments that the Group holds, if any, and economic conditions at the time as well as accounting elections and judgements that it will make in the future. The new standard will require the Group to revise its accounting processes and internal controls related to reporting financial instruments and these changes are not yet complete.

# PWR Holdings Limited
# and its controlled entities
## Directors' declaration
## For the year ended 30 June 2017

### Directors' declaration

1. In the opinion of the directors of PWR Holdings Limited (the "Company"):
   (a) the consolidated financial statements and notes that are set out on pages 19 to 55 and the Remuneration report in section 16 in the Directors' report, are in accordance with the Corporations Act 2001, including:
      (i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and
      (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001;
   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. There are reasonable grounds to believe that the Company and the group entities identified in Note G3 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785.
3. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2017.
4. The directors draw attention to Note A2 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of directors.

__________________________

Kees Weel
Director
Dated at Brisbane this 24th day of August 2017

KPMG

# Independent Auditor's Report

## To the shareholders of PWR Holdings Limited

## Report on the audit of the Financial Report

### Opinion

We have audited the ***Financial Report*** of PWR Holding Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2017;
- Consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year end and from time to time during the financial year.

### Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

### Key Audit Matters

The ***Key Audit Matter*** we identified was the valuation of goodwill and intangibles.

***Key Audit Matters*** are those matters that, in our professional judgment, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG

| Valuation of goodwill and intangibles ($14.1 million) | |
|---|---|
| Refer to Note C7 to the financial report | |
| **The key audit matter** | **How the matter was addressed in our audit** |
| A key audit matter for us was the Group's annual testing of goodwill and intangible assets for impairment given the size of the balance (being 30% of total assets).<br><br>We focused on the significant forward-looking assumptions the Group applied in their value in use models, including forecast cash flows, growth rates and discount rates.<br><br>The Group uses complex models in performing their annual impairment testing. These models use forward looking assumptions based on the Group's budgeting and business plans and a range of other internal and external sources as inputs to the assumptions. Complex modelling using forward-looking assumptions tend to be prone to greater risk for potential bias, error and inconsistent application. These conditions necessitate additional scrutiny by us, in particular to address the objectivity of sources used for assumptions, and their consistent application.<br><br>We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter. | Our procedures included:<br>• We considered the appropriateness of the value in use method applied by the Group to perform the annual impairment testing against the requirements of the accounting standards.<br>• We assessed the integrity of the value in use models used, including the accuracy of the underlying calculation formulas.<br>• We considered the Group's determination of their CGUs based on our understanding of the Group's operations and how independent cash inflows were generated, against the requirements of the accounting standards.<br>• We compared the forecast cash flows contained in the value in use model to Board approved budgets and the Group's business plans.<br>• We assessed the accuracy of previous Group forecasts to inform our evaluation of forecasts incorporated in the models.<br>• We considered the sensitivity of the models by varying key assumptions, such as forecast growth rates, terminal growth rates and discount rates, within a reasonably possible range, to identify those CGUs at higher risk of impairment and to focus our further procedures.<br>• We challenged the Group's significant forecast cash flow and growth assumptions using our knowledge of the Group, their past performance and our understanding of factors impacting the business and customers in which the CGUs operate in.<br>• Working with our valuation specialists, we independently developed a discount rate range considered comparable using publicly available market data for comparable entities, adjusted by risk factors specific to the CGU and the industry it operates in.<br>• We assessed the disclosures in the financial report using our understanding obtained from our testing and the requirements of the accounting standards. |

## Other Information

Other Information is financial and non-financial information in PWR Holdings Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors' Report and ASX Additional Information. The Chairman's Letter and Chief Executive Officer's Report are expected to be included in the Annual Report, and made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

## Responsibilities of Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Group's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the Audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar2.pdf. This description forms part of our Auditor's Report.

KPMG

## Report on the Remuneration Report

### Opinion

In our opinion, the Remuneration Report of PWR Holdings Limited for the year ended 30 June 2017, complies with *Section 300A* of the *Corporations Act 2001*.

### Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

### Our responsibilities

We have audited the Remuneration Report included in pages 10 to 17 of the Director's Report described as audited for the year ended 30 June 2017.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

Jason Adams
Partner

Brisbane
24 August 2017

## ASX additional information

### Shareholdings as at 10 August 2017

### Distribution of equity security holders

| Category | Number of Ordinary shares | Number of Security Holders |
|---|---|---|
| 1 – 1,000 | 164,745 | 269 |
| 1,001 – 5,000 | 4,367,407 | 1,410 |
| 5,001 – 10,000 | 5,866,070 | 782 |
| 10,001 – 100,000 | 10,092,323 | 465 |
| 100,001 and over | 79,509,455 | 26 |
| | **100,000,000** | **2,952** |

The number of shareholders holding less than a marketable parcel of ordinary shares is 57.

### Twenty largest shareholders

| | Name | Number of ordinary shares held | Percentage of capital held % |
|---|---|---|---|
| 1 | KPW Property Holdings Pty Ltd | 38,368,500 | 38.37 |
| 2 | HSBC Custody Nominees (Australia) Limited | 8,234,278 | 8.23 |
| 3 | National Nominees Limited | 6,452,641 | 6.45 |
| 4 | Citicorp Nominees Pty Limited | 4,957,985 | 4.96 |
| 5 | J P Morgan Nominees Australia Limited | 4,310,216 | 4.31 |
| 6 | MAMLEC Pty Ltd | 4,209,000 | 4.21 |
| 7 | Merrill Lynch (Australia) Nominees Pty Limited | 2,861,837 | 2.86 |
| 8 | BNP Paribas Nominees Pty Ltd | 2,282,812 | 2.28 |
| 9 | UBS Nominees Pty Ltd | 1,705,818 | 1.71 |
| 10 | Citicorp Nominees Pty Limited | 1,503,280 | 1.50 |
| 11 | BNP Paribas Noms Pty Ltd | 847,511 | 0.85 |
| 12 | Bond Street Custodians Limited | 512,923 | 0.51 |
| 13 | Ms Deslea Mary Sneddon | 405,000 | 0.41 |
| 14 | RT Developments Pty Ltd | 400,000 | 0.40 |
| 15 | Truebell Capital Pty Ltd | 360,000 | 0.36 |
| 16 | Dr David John Ritchie and Dr Gillian Joan Ritchie | 300,000 | 0.30 |
| 17 | Wask Management Pty Ltd | 275,516 | 0.28 |
| 18 | Hampton Pty Ltd | 250,000 | 0.25 |
| 19 | Anacacia Pty Ltd | 218,511 | 0.22 |
| 20 | Citicorp Nominees Pty Limited | 191,955 | 0.19 |
| | Top 20 holders of ordinary fully paid shares | 78,647,783 | 78.65 |
| | Total remaining holders balance | 21,352,217 | 21.35 |

## ASX additional information

### Substantial shareholders

The number of shares held by substantial shareholders and their associates are set out below:

| Shareholder | Number |
|---|---|
| PWR Holdings Limited[1] | 42,577,500 |
| KPW Property Holdings Pty Ltd | 38,368,500 |

1. Relevant interest in own Shares as a result of voluntary escrow deeds with shareholders which gives it the power to control the exercise of the power to dispose of those securities.

### Rights

The number of performance rights on issue are set out below:

| Number of rights holders | Number of rights on issue |
|---|---|
| 4 | 135,875 |

### Voting rights

### Ordinary shares

Refer to Note F1 in the financial statements

### Securities Exchange

The Company is listed on the Australian Securities Exchange. The Home exchange is Sydney.

### Other information

PWR Holdings Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

### On-market buy-back

There is no current on-market buy-back.

### Offices and officers

***Directors***

Kees Weel
Jeffrey Forbes
Teresa Handicott
Roland Dane

***Company Secretary***

Lisa Dalton

### Principal Registered Office

PWR Holdings Limited
103 Lahrs Road
Ormeau, 4208
Queensland

### Locations of Share Registry

Computershare Investor Services Pty Ltd
117 Victoria Street
West End, 4101
Queensland