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 2018

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 2018 ("current period")**
Previous Reporting Period	**Year ended 30 June 2017 ("previous corresponding period")**

2. Results for Announcement to the Market

				A$'000
Revenues from ordinary activities	Up	7.8%	to	51,889
Profit / (Loss) from ordinary activities after tax attributed to members	Up	18.5%	to	11,001
Net profit / (loss) for the period attributed to members(i)	Up	18.5%	to	11,001

(i

Dividends (distributions)	Amount per security	Franked amount per security
Current period		
Interim dividend	1.10 cents per share	100%
Final dividend	6.20 cents per share	100%
Previous corresponding period		
Interim dividend	0.90 cents per share	100%
Final dividend	4.70 cents per share	100%
Record date for determining entitlements to the final dividend		7 September 2018

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

Revenue of the Group for the year ended 30 June 2018 was $51.9 million (2017: $48.1 million), an increase of 7.8%. Growth in sales in Europe and Australia were offset by lower sales in the USA due to non-core lines being exited.

The statutory net profit after tax of the Group for the year ended 30 June 2018 was $11.0 million (2017: $9.3 million). The result to 30 June 2018 included the recognition of $1.1 million (after tax) of non-recurring expenses relating to C&R.

EBITDA(i) for the year ended 30 June 2018 was $16.3 million (2017: $14.7 million) and EBITDA(i) margins were 31.5% (2017 : 30.6%). The higher EBITDA(i) and NPAT in FY18 compared to the prior corresponding period was mainly due to:

- Stronger sales at consistent margins;
- Overhead costs remaining at constant levels supporting the higher sales volumes including the one off items relating to C&R mentioned above; and
- A largely neutral impact of foreign exchange rate movements.

Conversion of EBITDA(i) to cash remains strong at 101.8% but this has been affected by the non-cash components of the non-recurring expenses at C&R referred to above totalling $0.85 million. Without the effect of these non-cash items, the conversion rate would be 96% (2017:92%).

Underlying results and further information 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 2018 of 6.20 cents per ordinary share to be paid on 14 September 2018 resulting in a total distribution of $6.2 million based on the number of ordinary shares currently on issue.

(i) 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	$0.32	$0.27

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 Current period	Percentage holding 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 23rd day of August 2018

Annual Financial Report

2018

PWR Holdings Limited
and its controlled entities

ACN:105 326 850

Contents

Directors' report

For the year ended 30 June 2018

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 2018 ("Reporting Period") 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 *Independent Chairman, Non-Executive Director* *Appointed NED 1 October 2015* *Appointed Chairman 19 October 2017* *Chairman of Nomination and Remuneration Committee* *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. Teresa is a director of ASX listed company Downer EDI Limited and the Chairman 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. Teresa is a director of Bangarra Dance Theatre Limited, chairing its Remuneration Committee. She 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). She is a Senior Fellow of Finsia and a Graduate of the AICD. Teresa was previously a Member of the Council of the Queensland University of Technology (QUT), 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	2019
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 *Independent, Non-Executive Director* *Appointed 7 August 2015* *Chairman of Audit and Risk Committee* *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. Jeff holds a Bachelor of Commerce from the University of Newcastle and is a Graduate of the Australian Institute of Company Directors. 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 Community Housing Ltd.
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) Affinity Education Group Limited (6 November 2013 to 15 December 2015)

Kees Weel *Managing Director and Chief Executive Officer* *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. 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 *Independent, Non-Executive Director* *Appointed 1 March 2017* *Member of Audit and Risk Committee* *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	2019
Current directorships of listed entities	Nil
Directorships of listed entities over last 3 years	Nil

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	11	12	4	4	2	2
Teresa Handicott	12	12	4	4	2	2
Roland Dane	12	12	4	4	2	2

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

Statutory Profit and Loss Summary	**FY18 A$'000**	**FY17 A$'000**	**FY17 to FY18 %**
Revenue	51,889	48,117	+ 7.8%
EBITDA[1]	16,336	14,727	+ 10.9%
EBITDA[1] margin	31.5%	30.6%	
Net profit after tax (NPAT)	11,001	9,280	+ 18.5%
Operating cash flow	16,639	13,529	+ 22.9%
Earnings per share	11.00 cents	9.28 cents	+ 18.5%

Underlying Profit and Loss Summary

The above statutory profit and loss includes the C&R deferred tax adjustment and several items arising from the restructuring and repositioning of the operations at C&R in the USA none of which are expected to reoccur. These items are as follows :

- $0.85 million ($0.63m after tax) for the loss on sale and write down in the carrying value of assets held for sale in the USA the majority of which were disposed of in April 2018.
- $0.41 million ($0.3m after tax) for the termination of a distribution agreement
- $0.18 million charge to income tax expense for the decrease in the net deferred tax balance in the USA, following the reduction in the USA federal corporate tax rate from 35% to 21%.

A reconciliation of underlying EBITDA[1] to the reported profit before tax in the consolidated statement of profit or loss and other comprehensive income is as follows :

	FY18 A$'000	**FY17 A$'000**
Profit for the period before tax	14,688	12,949
Add : loss on sale and write down of assets held for sale	856	-
Add : settlement of distribution agreement dispute	413	-
Add : net finance costs	(18)	305
Add : depreciation & amortisation	1,666	1,473
Underlying EBITDA[1]	17,605	14,727

[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)

Incorporating the above items, underlying results are as follows :

Underlying Profit and Loss Summary

	FY18 A$'000	**FY17 A$'000**	**FY17 to FY18**
Underlying revenue	51,889	48,117	+ 7.8%
Underlying EBITDA[1]	17,605	14,727	+ 19.5%
Underlying EBITDA[1] margin	33.9%	30.6%	
Underlying net profit after tax	12,115	9,280	+ 30.5%
Underlying operating cash flow	16,751	13,529	+ 23.8%
Underlying earnings per share	12.11 cents	9.28 cents	+ 30.5%

Revenue

The Group achieved overall revenue growth of 7.8% compared to the prior corresponding period. Organic revenue growth of 6.5% was supplemented by exchange rate movements of 1.3%.

The above growth is after the decrease in C&R revenue of 19%, which was expected, as a result of the exit from non-core business operations and the restructuring of their operations. Compensating growth came from PWR Europe sales increasing by 27% and PWR Australia sales increasing 20% compared to the prior corresponding period. With reporting in Australian dollars, the exchange rate has had a lesser impact than previous years with the GB pound being 4.7% stronger at 30 June 2018 and the US dollar being 4.1% stronger compared to the prior period. However, average rates during the financial year saw a US dollar being 2.9% weaker but the pound 3.1% stronger.

The net foreign exchange impact was a favourable effect on revenue for the year of $615,395.

EBITDA

The higher EBITDA in FY18 compared to the prior corresponding period was mainly due to:

- Overall revenue growth at consistent margins;
- Production and manufacturing costs increasing consistently with sales volume increases; and
- Administration and overhead costs remaining at consistent levels supporting the higher revenue and margins generated. These costs also included non-recurring expenditure relating to the termination of a distribution agreement at C&R.

Net profit after tax

Net profit after tax of the Group for the year ended 30 June 2018 was $11.00 million (2017: $9.28 million), including the recognition of $1.1 million (after tax) of one-off expenses in relation to the changes to Federal corporate tax rates in the USA, the loss on sale and write down of the C&R non core non cooling business held for sale at 30 June 2017 and costs associated with the termination of a distribution agreement at C&R.

5 Operating and financial review (continued)

Summary of financial results (continued)

Operating cash flow

The Group continued its strong cash conversion rate with FY18 operating cash flow of $16.6 million, a conversion of 101.8% from EBITDA. This high EBITDA to cash conversion is due to:

- Improved working capital management; and
- The flow on effect of the non-cash impact of the loss on sale and write down of assets held for sale at C&R.

Foreign currency

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

	FY18	**FY17**
British pounds (GBP)	57.6%	50.3%
US dollars (USD)	25.4%	37.5%
Australian dollars (AUD)	17.0%	12.2%

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 $39.07 million (2017: $31.78 million), primarily arising from increased market penetration in the motorsports sector in the United Kingdom and Europe.

The C&R segment generated external revenue of $12.82 million (2017: $16.34 million). This decrease was as a result of exiting non-core products and transitioning C&R to a stand alone manufacturing business unit.

Review of principal businesses

During the year ended 30 June 2018, in addition to the items outlined above, the Group:

- Was selected as cooling assembly supplier for a further two niche OEM programs in Europe, with one commencing production during the year;
- Continued other OEM development and prototype work;
- Completion of the construction and commissioning of a new aluminium heat exchanger core production line at C&R in the USA, which has been operational from H2 FY18. This has increased overall production capacity, allowing longer run production programs as well as releasing production capacity at the existing Australian facility to focus on research and development, bespoke and specialised production and the domestic aftermarket; and
- Completed the exit of the non-core business at C&R to increase available capacity and focus resources on supporting and developing our core business.

5. Operating and financial review (continued)

Balance sheet management

The balance sheet remains strong with cash of $12.1 million (2017: $9.06 million) and zero net debt.

Working capital management has improved with the working capital cycle reducing from 150 days at 30 June 2017 to 122 days at 30 June 2018 contributing to a higher year end cash balance.

Capital expenditure for the year was $5.2 million (FY17: $3.87 million) including $2.2 million (FY17: $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
Operational	Loss of critical supply inputs or infrastructure Loss of intellectual property protection Reduction in product quality standards 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 2017 ordinary	4.70	4,700,000	15 September 2017
Interim 2018 ordinary	1.10	1,100,000	6 April 2018
Total amount		5,800,000	

Declared after end of year

The following dividend was declared by the Directors since the end of the financial year:

	Cents per share	Total amount $	Date of payment
Final 2018 ordinary dividend	6.20	6,200,000	14 September 2018
Total amount		6,200,000	

The financial effect of this dividend has not been brought to account in the consolidated financial statements for the year end 30 June 2018 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 2018 ordinary dividend of 6.20 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 2018.

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. Rounding of amounts

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191 issued by the Australian Securities and Investment Commission, relating to the "rounding off" of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that Instrument to the nearest thousand dollars unless otherwise stated.

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 2018.

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 2018.

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 2018 or who were KMP during the financial year ended 30 June 2018, their roles and appointment/cessation dates.

Key Management Personnel during the Reporting Period

Name	**Role**	**Appointment Date/(Cessation Date)**
Non-Executive Directors		
Teresa Handicott	Chairman and Non-Executive Director	1 October 2015 (Non-Executive Director) 19 October 2017 (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
Stuart Smith	Chief Financial Officer	13 November 2017
Matthew Bryson	General Manager, Engineering	11 April 2006
Jim Ryder[2]	General Manager, USA	10 January 2017
Andy Burton[2]	General Manager, Europe	1 July 2017.
Former KMP		
Marshall Vann	General Manager	1 January 2017 (6 February 2018)
Adam Purss	Chief Financial Officer	23 February 2015 (10 November 2017)
Chris Jaynes	General Manager, USA	25 January 2016 (31 July 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

[2] Jim Ryder, General Manager USA and Andy Burton, General Manager Europe became KMP effective 1 January 2018 following an organisational restructure. Mr Burton was a consultant to the company prior to his appointment date.

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	19 October 2017 to 30 June 2018	150,000
Interim Chairman	3 March 2017 to 19 October 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 the 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 increases to their fixed remuneration during the Reporting Period.

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 2018, the operation of the short term-incentive plan had a NPAT target, established by the Board at the commencement of the Reporting Period, to trigger its operation. The NPAT target for FY18 was achieved and short-term incentives were awarded to the Managing Director and senior executives as outlined below.

Analysis of cash bonuses included in remuneration

The Board awarded the Managing Director and senior executives the following cash bonuses for the Reporting Period:

Employed at 30 June 2018	Position	Max Potential Bonus % TFR	Actual Bonus % TFR	Bonuses included in FY18 remuneration $
Kees Weel	Managing Director	50%	46%	175,816
Stuart Smith (i)	Chief Financial Officer	30%	28%	50,233
Matthew Bryson	General Manager, Engineering	30%	28%	75,350
Jim Ryder (ii)	General Manager, USA	30%	22%	21,834
Andrew Burton(iii)	General Manager, Europe	20%	19%	22,842

(i) Appointed 13 November 2017.

(ii) Employed by C&R Racing Inc and remunerated in USD. The AUD equivalent is shown above.

(iii) Employed by PWR Europe and remunerated in GBP. The AUD equivalent is shown above.

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. A grant of Rights was made to the Senior Executives and Managing Director in the 2018 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%)		EPS Growth (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.		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.	
TSR Ranking	**Vesting outcome**	**EPS**	**Vesting outcome**
TSR is 50% or less	Nil vesting	EPS growth is 4% or less	Nil vesting
TSR is more than 50% but less than 75%	Rateable vesting between 20% and 99%	EPS growth is more than 4% but less than 12%	Rateable vesting between 50% and 99%
TSR is 75% or more	100% vesting	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	2018 $'000	2017 $'000	2016 $'000
EBITDA (2016 excludes IPO costs)		$16,336	$14,727	$16,903
Net profit after tax (2016 excludes IPO costs)		$11,001	$9,280	$8,735
Total dividends per share		7.30 cents	5.60 cents	4.40 cents
Change in share price		0.36	(0.43)	1.28
Earnings per share	B5	11.00 cents	9.28 cents	9.31 cents

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		
Stuart Smith	Chief Financial Officer	3 months
Matthew Bryson	General Manager, Engineering	3 months
Andrew Burton	General Manager, Europe	3 months
Jim Ryder	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:

	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											
Teresa Handicott (i)	2018	156,986	-	-	156,986	13,014	-	-	-	170,000	-
Chairman	2017	114,941	-	-	114,941	10,919	-	-	-	125,860	-
Non-Executive Director											
Jeff Forbes	2018	105,023	-	-	105,023	9,977	-	-	-	115,000	-
Non-Executive Director	2017	105,023	-	-	105,023	9,977	-	-	-	115,000	-
Roland Dane (ii)	2018	95,000	-	-	95,000	-	-	-	-	95,000	-
Non-Executive Director	2017	31,667	-	-	31,667	-	-	-	-	31,667	-
Former											
Bob Thorn (iii)	2018	-	-	-	-	-	-	-	-	-	-
Chairman, Non-Executive Director	2017	152,207	-	-	152,207	14,460	-	-	-	166,667	-
Total - Non-Executive Directors' Remuneration	2018	357,009	-	-	357,009	22,991	-	-	-	380,000	-
	2017	403,838	-	-	403,838	35,356	-	-	-	439,194	-

(i) Appointed 1 October 2015 as Non-Executive Director, 3 March 2017 as Interim Chairman and 19 October 2017 as Chairman.
(ii) Appointed 1 March 2017.
(iii) Resigned 3 March 2017.

	Year	Short-term benefits				Post Employment Benefits		Long-term benefits	Share-based payments		Proportion of remuneration on performance related
		Cash salary & fees $	Cash Bonus $	Non-cash benefits $	Total $	Super benefits $	Termination benefits $	Long service leave $	Performance rights $	Total $	%
Executive Directors and senior executives											
Current											
Kees Weel	2018	350,000	175,816	20,192	546,008	33,250	-	5,536	36,358	621,152	34.2
Managing Director	2017	350,000	-	26,923	376,923	33,250	-	5,536	23,397	439,106	5.3
Stuart Smith (iv)	2018	153,846	50,233	9,912	213,991	14,615	-	-	8,863	237,469	24.9
Chief Financial Officer	2017	-	-	-	-	-	-	-	-	-	-
Matthew Bryson	2018	250,000	75,350	23,063	348,413	23,750	-	3,954	29,731	405,848	25.9
General Manager, Engineering	2017	250,000	-	8,661	258,661	23,750	-	3,955	10,027	296,393	3.4
Andrew Burton (v)	2018	111,584	22,842	-	134,426	6,519	-	-	-	140,945	16.2
General Manager, Europe	2017	-	-	-	-	-	-	-	-	-	-
Jim Ryder (v)	2018	96,451	21,834	-	118,285	-	-	-	9,228	127,513	24.3
General Manager, USA	2017	-	-	-	-	-	-	-	-	-	-
Former											
Earle Roberts (vi)	2018	-	-	-	-	-	-	-	-	-	-
Chief Operating Officer	2017	86,933	-	-	86,933	14,223	191,966	-	-	293,122	-
Chris Jaynes (vii)	2018	-	-	-	-	-	-	-	-	-	-
General Manager, USA	2017	213,592		7,128	220,720	1,659			7,494	229,873	3.3
Adam Purss (viii)	2018	76,923	-	-	76,923	7,308	59,944	-	-	144,175	-
Chief Financial Officer	2017	200,000	-		200,000	19,000	-		8,021	227,021	3.5
Marshall Vann (ix)	2018	159,520	-	-	159,520	16,362	69,060	-	-	244,942	-
General Manager	2017	131,718	-	3,810	135,528	12,513	-	-	-	148,041	-
Total – Executive Directors' and	2018	1,198,324	346,075	53,167	1,597,566	101,804	129,004	9,490	84,180	1,922,044	22.3
senior executives' Remuneration	2017	1,232,243	-	46,522	1,278,765	104,395	191,966	9,491	48,939	1,633,556	3.0
Total - KMP Remuneration	2018	1,555,333	346,075	53,167	1,954,575	124,795	129,004	9,490	84,180	2,302,044	18.8
	2017	1,636,081	-	46,522	1,682,603	139,751	191,966	9,491	48,939	2,072,750	2.4

(iv) Appointed 13 November 2017.
(v) Executives became KMP effective 1 January 2018 following an organisational restructure.
(vi) Resigned 28 October 2016.
(vii) Resigned 31 July 2017.
(viii) Resigned 12 November 2017.
(ix) Resigned 6 February 2018

16. Remuneration report – audited (continued)

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 2017	**Shares acquired during the year**	**Shares disposed of during the year**	**Other**	**Closing Balance 30 June 2018**
Non-executive Directors					
Current					
Jeff Forbes	20,000	-	-	-	20,000
Teresa Handicott	15,500	10,000	-	-	25,500
Roland Dane	64,000	110,159	-	-	174,159
Executive Directors and Senior Executives					
Current					
Kees Weel	38,368,500 (i)	-	-	-	38,368,500 (i)
Matthew Bryson	4,209,000	-	(435,692)	-	3,773,308
Stuart Smith	-	-	-	10,000 (ii)	10,000
Jim Ryder	-	-	-	-	-
Andy Burton	-	75,471	-	17,268 (iii)	92,739
Former					
Marshall Vann	405,000	-	-	(405,000) (iii)	N/A
Adam Purss	13,330			(13,330) (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 2018 Kees Weel is a director of the trustee and beneficiary of the trust. These shares were released from escrow on 31 August 2017.

(ii) Shares held prior to appointment.

(iii) Shares held at dates of cessation or commencement as KMP.

I. Remuneration consultants

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

J. Voting and comments made as the Company's 2017 Annual General Meeting

The Company received more than 75% of "yes" votes on its remuneration report for the 2017 financial year. The Company did not receive any specific feedback at the 2017 AGM on its remuneration report.

K. 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 included in the KMP remuneration report. 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 during the Reporting Period. Performance rights were forfeited during the Reporting Period resulting from resignations. Total Performance Rights issued and on issue at 30 June 2018 are as follows :

16. Remuneration report – audited (continued)

			Fair Value per Right at Grant Date				
	Description of Rights	Number of Rights granted	TSR Component $	EPS Component $	Grant Date	Vesting Date	Expiry Date
Kees Weel *Managing Director*	FY17 LTIP FY18 LTIP	64,958 -	0.86	2.37	21/10/16	1/9/19	1/3/20
Matthew Bryson *General Manager, Engineering*	FY17 LTIP FY18 LTIP	27,839 37,330	0.86 0.87	2.37 2.43	6/12/16 24/11/17	1/9/19 1/9/20	1/3/20 1/3/21
Stuart Smith *Chief Financial Officer*	FY18 LTIP	24,886	0.87	2.43	24/11/17	1/9/20	1/3/21
Jim Ryder *General Manager, USA*	FY18 LTIP	25,909	0.87	2.43	24/11/17	1/9/20	1/3/21
Total on issue to KMP		180,922					
Non KMP		29,330					
Total on issue at 30 June 2018		210,252					
Forfeited during FY18							
Adam Purss *Chief Financial Officer*	FY17 LTIP	22,271	0.86	2.37	6/12/16	Forfeited	-
Chris Jaynes *General Manager, USA*	FY17 LTIP	20,807	0.86	2.37	6/12/16	Forfeited	-
Marshall Vann *General Manager*	FY18 LTIP	40,909	0.87	2.43	24/11/17	Forfeited	-
Total forfeited in FY18		83,987					

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
Chairman
Brisbane
23rd August 2018.

Kees Weel
Managing Director
Brisbane
23rd August 2018.

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 for the financial year ended 30 June 2018 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

Jason Adams
Partner

Brisbane
23 August 2018

PWR Holdings Limited
and its controlled entities

Consolidated Statement of Profit or Loss
and Other Comprehensive Income

For the year ended 30 June 2018

	Note	**2018** **$’000**	**2017** **$’000**
Revenue	*B2*	51,889	48,117
Other income	*B2*	665	677
Raw materials and consumables used		(9,934)	(10,067)
Employee expenses		(20,746)	(19,350)
Occupancy expenses		(1,885)	(1,665)
Other expenses		(2,937)	(2,985)
Loss on disposal of assets held for sale		(716)	-
Profit before depreciation, net finance costs and income tax		16,336	14,727
Depreciation and amortisation		(1,666)	(1,473)
Profit before net finance costs and income tax		14,670	13,254
Finance income		33	12
Finance costs		(15)	(317)
Net finance income/(costs)	*B4*	18	(305)
Profit before income tax		14,688	12,949
Income tax expense	*E1*	(3,687)	(3,669)
Profit for the year attributable to equity holders of the parent		11,001	9,280
Other comprehensive income			
Items that are or may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		237	(411)
Total comprehensive income for the year		11,238	8,869
Basic and diluted earnings per share	*B5*	11.00 cents	9.28 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 2018

	Note	2018	2017
Assets		**$'000**	**$'000**
Current assets			
Cash and cash equivalents	*C1*	12,110	9,064
Trade and other receivables	*C2*	4,054	3,444
Inventories	*C3*	6,785	7,281
Assets held for sale	*C4*	-	1,061
Current tax assets	*E2*	-	900
Other assets	*C5*	1,734	501
Total current assets		24,683	22,251
Non-current assets			
Property, plant and equipment	*C6*	11,573	7,890
Intangible assets	*C7*	14,102	14,129
Deferred tax assets	*E2*	2,114	2,023
Total non-current assets		27,789	24,042
Total assets		52,472	46,293
Liabilities			
Current liabilities			
Trade and other payables	*C8*	3,397	2,921
Loans and borrowings	*F1*	155	290
Employee benefits	*D1*	1,624	1,421
Current tax liabilities		278	-
Provisions		115	114
Total current liabilities		5,569	4,746
Non-current liabilities			
Loans and borrowings	*F1*	328	474
Employee benefits	*D1*	100	112
Total non-current liabilities		428	586
Total liabilities		5,997	5,332
Net assets		46,475	40,961
Equity			
Issued capital	*F2*	25,921	25,921
Reserves		465	152
Retained earnings		20,089	14,888
Total equity		46,475	40,961

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 2018

	Note	Share Capital $'000	Foreign currency translation reserve $'000	Share based payments reserve	Retained earnings $'000	Total equity $'000
Balance at 1 July 2017		25,921	103	49	14,888	40,961
Total comprehensive income for the year						
Profit for the year		-	-	-	11,001	11,001
Other comprehensive income		-	237	-	-	237
Total comprehensive income		-	237	-	11,001	11,238
Transactions with owners, recorded directly in equity						
Employee share-based payments	*D3*	-	-	76	-	76
Dividends paid	*F3*	-	-	-	(5,800)	(5,800)
Total transactions with owners		-	-	76	(5,800)	(5,724)
Balance at 30 June 2018		25,921	340	125	20,089	46,475
Balance at 1 July 2016		25,921	514	-	10,288	36,723
Total comprehensive income for the year						
Profit for the year		-	-	-	9,280	9,280
Other comprehensive income		-	(411)	-	-	(411)
Total comprehensive income		-	(411)	-	19,568	8,869
Transactions with owners, recorded directly in equity						
Employee based share payments		-	-	49	-	49
Dividends paid	*F3*	-	-	-	(4,680)	(4,680)
Total transactions with owners		25,921	-	49	(4,680)	(4,631)
Balance at 30 June 2017		25,921	103	49	14,888	40,961

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 2018

	Note	2018	2017
Cash flows from operating activities		**$'000**	**$'000**
Cash receipts from customers		51,243	48,832
Cash paid to suppliers and employees		(34,604)	(35,303)
Cash generated from operating activities		16,639	13,529
Interest paid		(27)	(48)
Income tax refund – prior year over payment		1,258	-
Income tax paid		(3,858)	(4,536)
Net cash from operating activities	*C1*	14,012	8,945
Cash flows from investing activities			
Government grant income received		65	76
Interest received		33	12
Proceeds from sale of property, plant and equipment		225	165
Payments for property, plant and equipment		(5,199)	(3,872)
Net cash used in investing activities		(4,876)	(3,619)
Cash flows from financing activities			
Dividends paid		(5,800)	(4,680)
Payment of finance lease liabilities		(281)	(397)
Net cash used in financing activities		(6,081)	(5,077)
Net increase in cash and cash equivalents		3,055	249
Cash and cash equivalents at 1 July		9,064	8,797
Effect of exchange rate fluctuations on cash held		(9)	18
Cash and cash equivalents at 30 June	*C1*	12,110	9,064

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 2018 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, testing, production, validation and sale of customised 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 Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors’ Reports) Instrument 2016/191 and in accordance with that instrument, amounts in the Financial Report and Directors’ Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

The financial statements were approved by the Board of Directors on 23 August 2018.

(b) Functional and presentation currency

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

(c) 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 notes C3 (Inventories) and C7 (Intangible assets).

A3 Significant accounting policies

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

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	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
External revenues	39,074	31,776	12,815	16,341	51,889	48,117
Inter-segment revenues	2,856	4,903	379	395	3,235	5,299
Segment revenue	41,930	36,680	13,194	16,736	55,124	53,416
Operating EBITDA[1]	17,856	12,929	(630)	1,669	17,226	14,727
Significant Items (refer to note B3)	-	-	(1,269)	-	(1,269)	-
Depreciation and amortisation	(993)	(1,077)	(673)	(396)	(1,666)	(1,473)
Segment profit/(loss) before interest and tax	16,863	11,852	(2,572)	1,273	14,291	13,125
Capital expenditure	1,841	2,176	2,965	1,696	4,806	3,872

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

Reconciliation of reportable segment profit or loss	**2018** **$'000**	**2017** **$'000**
Revenues		
Total revenue for reportable segments	55,124	53,416
Elimination of inter-segment revenue	(3,235)	(5,299)
Consolidated revenue	51,889	48,117
Profit before tax		
Profit before tax for reportable segments	14,291	13,125
Elimination of inter-segment profit	379	131
Net finance income/(costs)	18	(305)
Consolidated profit before tax	14,688	12,949

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.

	2018		2017	
	Revenues	**Non-current assets** (i)	**Revenues**	**Non-current assets** (i)
	$'000(ii)	**$'000**	**$'000**	**$'000**
Australia	6,286	16,700	5,398	18,518
USA	14,622	8,959	17,811	3,473
UK	16,081	16	9,300	28
Italy	7,091	-	7,146	-
Other Countries	7,809	-	8,462	-
	51,889	25,675	48,117	22,019

(i) Excluding deferred tax assets.

B2 Revenue and other income

	2018	2017
Revenue	**$'000**	**$'000**
Sales of goods	50,680	46,739
Rendering of services	580	791
Other revenue	629	587
	51,889	48,117
Other income		
R&D tax incentive	600	601
Government grant	65	76
	665	677

B3 Expenses

Significant items

During the year, the Group disposed of non cooling components of the business at C&R in the USA. These disposed assets and other assets written down were presented as assets held for sale at 30 June 2017 (refer note C4). This disposal and write down comprised :

	$'000
Loss on sale of assets disposed	716
Write down of other assets	140
Impact on profit before tax	856
Income tax benefit	(223)
Impact on profit after tax	633

In addition, C&R settled a dispute with a distributor resulting in an expense of $412,693 being recognised in profit before tax ($305,393 after tax). This has been included in other expenses in the income statement.

Research and Development

The Group recognised $8,127,787 (2017 : $7,070,580) as an expense in relation to its research and development activities. This is included in employee expenses, raw materials and consumables in the income statement.

Section B Business Performance (continued)

B4 Finance income and finance costs

	2018 $'000	2017 $'000
Interest income	33	12
Finance income	33	12
Interest expense	(27)	(48)
Net foreign exchange gain/(loss)	12	(269)
Finance costs	(15)	(317)
Net finance income/(costs)	18	(305)

B5 Earnings per share

	2018	2017
Basic and diluted earnings per share	11.00 cents	9.28 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 $11,001,600 (2017: $9,280,000).

Weighted average number of ordinary shares	2018 No.	2017 No.
Issued ordinary shares at 1 July	100,000,000	100,000,000
Weighted number of ordinary shares at 30 June	100,000,000	100,000,000

The impact of the performance rights issued by the Group during the year and in prior years 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

	2018 $'000	2017 $'000
Bank balances	12,107	9,058
Cash on hand	3	6
Cash and cash equivalents in the statement of cash flows	12,110	9,064

Reconciliation of cash flows from operating activities

Cash flows from operating activities		
Profit for the year	11,001	9,280
Adjustments for:		
Depreciation and amortisation	1,666	1,473
Research & development tax credit	601	-
Net foreign exchange loss/(gain)	(12)	269
Loss on disposal of assets held for sale	716	-
(Profit)/Loss on sale of property, plant and equipment	(11)	10
Changes in:		
Trade and other receivables	(609)	712
Inventories	495	(1,390)
Trade and other payables	476	254
Other assets	(1,233)	64
Employee benefits	215	439
Tax balances	707	(2,166)
Net cash from operating activities	14,012	8,945

C2 Trade and other receivables

Trade receivables	4,051	3,440
Trade receivables due from related parties (refer note H2)	3	4
	4,054	3,444

C3 Inventories

Raw materials	3,330	3,008
Work in progress	812	589
Finished goods	3,658	3,978
Consumables	42	303
Allowance for inventory obsolescence	(1,057)	(597)
	6,785	7,281

The cost of inventories sold and recognised as an expense during the year end 30 June 2018 was $24,021,000 (2017 : $24,653,000).

Section C Operating Assets and Liabilities (continued)

C4 Assets held for sale

In the prior year, part of the C&R segment was 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. The disposal concluded during the 2018 financial year (refer note B3). The sale related to non-cooling components of the business.

The assets disposed primarily related to inventory and property, plant and equipment.

At 30 June 2018, the carrying value of assets held for sale was:

	2018 $'000	2017 $'000
Inventories	-	853
Property, plant and equipment	-	208
	-	1,061

C5 Other assets

Prepayments	1,241	109
Deposits	444	349
Other assets	49	43
	1,734	501

C6 Property, plant and equipment

Plant and equipment – at cost	18,640	10,651
Accumulated depreciation	(7,656)	(5,980)
	10,984	5,671
Motor vehicles – at cost	375	378
Accumulated depreciation	(286)	(243)
	89	135
Under construction	500	2,084
	11,573	7,890

Assets under construction in the prior year related to the installation of a manufacturing line and furnace at C&R in the USA. This was completed and commissioned on 1 February 2018 when it became fully operational and was transferred from work in progress to fixed assets.

Reconciliations

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

Section C Operating Assets and Liabilities (continued)

2018	*Plant and equipment* $'000	*Motor vehicles* $'000	*Under construction* $'000	*Total* $'000
Cost				
Opening balance	11,651	378	2,085	14,114
Additions	4,769	37	-	4,806
Transfers	1,585	-	(1,585)	-
Disposals	(55)	(44)	-	(99)
Effect of movements in exchange rates	690	4	-	694
Closing balance	18,640	375	500	19,515
Accumulated depreciation				
Opening balance	5,981	243	-	6,224
Disposals	(33)	(4)	-	(37)
Depreciation	1,623	43	-	1,666
Effect of movements in exchange rates	85	4	-	89
Closing balance	7,656	286	-	7,942
Net carrying amount	10,984	89	500	11,573

2017	*Plant and equipment* $'000	*Motor vehicles* $'000	*Under construction* $'000	*Total* $'000
Opening balance	10,628	420	147	11,195
Additions	1,894	40	1,938	3,872
Disposals	(393)	(76)	-	(469)
Transferred to assets held for sale	(414)	-	-	(414)
Effect of movements in exchange rates	(64)	(6)	-	(70)
Closing balance	11,651	378	2,085	14,114
Accumulated depreciation				
Opening balance	5,056	230	-	5,286
Disposals	(280)	(25)	-	(305)
Depreciation	1,432	42	-	1,474
Transferred to assets held for sale	(206)	-	-	(206)
Effect of movements in exchange rates	(21)	(3)	-	(24)
Closing balance	5,981	243	-	6,224
Net carrying amount	5,670	135	2,085	7,890

The plant and equipment balance as at 30 June 2018 includes assets with carrying amounts of $483,516 under finance lease (2017: $1,015,261). During the year, the Group did not acquire any assets under finance lease (2017: NIL).

Notes to the consolidated financial statements

For the year ended 30 June 2018

Section C Operating Assets and Liabilities (continued)

C7 Intangible assets

	Note	Goodwill $'000	Trademarks $'000	Total $'000
2018				
Cost		3,117	10,985	14,102
Accumulated amortisation		-	-	-
		3,117	10,985	14,102
2017				
Cost		3,144	10,985	14,129
Accumulated amortisation		-	-	-
		3,144	10,985	14,129
Reconciliations				
2018				
Carrying amount at beginning of year		3,144	10,985	14,129
Amortisation		-	-	-
Effect of movements in exchange rates		(27)	-	(27)
Balance at the end of the year		3,117	10,985	14,102
2017				
Carrying amount at beginning of year		3,189	10,985	14,174
Amortisation		-	-	-
Effect of movements in exchange rates		(45)	-	(45)
Balance at the end of the year		3,144	10,985	14,129

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	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Goodwill	1,904	1,931	1,213	1,213
Trademarks	8,432	8,432	2,553	2,553
	10,336	10,363	3,766	3,766

Section C Operating Assets and Liabilities (continued)

C7 Intangible assets

For the purpose of impairment testing, 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 2019 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 as well as growth into the aftermarket. 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:

	2018	**2017**
PWR Performance Products	**%**	**%**
Discount rate – pre tax	16.4%	17.2%
Terminal value growth rate	2.0%	2.0%
Revenue – compound annual growth rate	2.0%	2.0%
C&R		
Discount rate – pre tax	13.7%	15.9%
Terminal value growth rate	2.0%	2.0%
Revenue – compound annual growth rate	5.6%	11.8%

C8 Trade and other payables

Trade and other payables are carried at amortised cost.

	2018 **$'000**	**2017** **$'000**
Trade payables	1,324	1,185
Other payables	2,073	1,736
	3,397	2,921

Section D Employee Benefits

D1 Employee benefits

	2018	2017
Current	**$'000**	**$'000**
Annual leave liability	1,269	1,139
Long service leave liability	355	282
	1,624	1,421
Non-current		
Long service leave liability	100	112

During the year ended 30 June 2018, the Group contributed $932,853 (2017: $962,692) to defined contribution plans. These contributions are included in employee expenses in the statement of profit or loss and other comprehensive income.

D2 Key management personnel compensation

Key management personnel compensation comprised the following:

Short-term employee benefits	1,955	1,683
Termination benefits	129	192
Post-employment benefits	125	140
Share based payments	84	49
Other long term benefits	9	9
	2,302	2,073

D3 Share based payments

During the year the Board granted performance rights to employees under the terms of the Performance Rights Plan (the Plan) approved 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 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 2017 to 30 June 2020.

158,364 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. At 30 June 2018, 117,455 of these performance rights remain on issue.

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 $75,518 (2017 : $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.

Section D Employee Benefits (continued)

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

	2018		2017	
	TSR component	**EPS component**	**TSR component**	**EPS component**
Fair value at grant date	\$0.87	\$2.43	\$0.86	\$2.37
Share price at grant date	\$2.20	\$2.20	\$2.48	\$2.48
Exercise price	Nil	N/A	Nil	N/A
Expected volatility	40%	N/A	40%	N/A
Risk free rate	1.90%	N/A	1.92%	N/A
Expected life	2.77 years	2.77 years	2.73 years	2.73 years
Expected dividends	2.20%	2.20%	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

	2018 \$'000	2017 \$'000
Current tax expense		
Current period	3,923	4,074
(Over)/under provision in prior period	(145)	(144)
	3,778	3,930
Deferred tax expense		
Origination and reversal of temporary differences	(91)	(261)
Total income tax expense	3,687	3,669
Numerical reconciliation between tax expense and pre-tax accounting profit		
Profit for the period	11,001	9,280
Total income tax expense	3,687	3,670
Profit excluding income tax	14,688	12,950
Income tax using the Company's domestic tax rate of 30%	4,406	3,885
Tax effect of R&D benefit	(180)	(181)
Effect of tax rates in foreign jurisdictions	(216)	(58)
Other	(323)	23
	3,687	3,669

Section E Taxation (continued)

E2 Tax assets and liabilities

Current tax assets and liabilities

The current tax liability of $277,310 (2017: tax asset of $900,168) represents the amount of income tax payable/receivable in respect of current and prior periods to the relevant tax authority.

Movement in deferred tax balances

2018	Net balance at 1 July $'000	Recognised in profit or loss $'000	Recognised in equity $'000	Exchange rate movements $'000	Net $'000	Deferred tax assets $'000	Deferred tax liabilities $'000
Property, plant and equipment	(450)	138	-	-	(312)	-	(312)
Employee benefits	662	(67)	-	-	595	595	-
Accruals	63	(39)	-	-	24	24	-
Inventories	770	(352)	-	-	418	499	(81)
Unrealised foreign exchange	-	(211)	-	-	(211)	-	(211)
Tax losses	362	838	-	-	1,200	1,200	-
Capital raising costs	681	(227)	-	-	454	454	-
Other items	(65)	11	-	-	(54)	177	(231)
Net tax assets/(liabilities)	2,023	91	-	-	2,114	2,949	(835)
2017							
Property, plant and equipment	-	(451)	-	1	(450)	-	(450)
Employee benefits	286	375	-	1	662	662	-
Accruals	273	(210)	-	-	63	63	-
Inventories	323	448	-	(1)	770	793	(23)
Unrealised foreign exchange	(47)	47	-	-	-	25	(25)
Tax losses	-	362	-	-	362	362	-
Capital raising costs	975	(294)	-	-	681	681	-
Other items	12	(80)	-	3	(65)	214	(279)
Net tax assets/(liabilities)	1,822	197	-	4	2,023	2,800	(777)

The Group's tax losses recognised as a deferred tax asset arise from its US operations. Management considers that based on the Group's plans for this business, it is probable that future taxable profits will be generated against which the tax losses can be recovered.

Section F Capital Structure and Borrowings

F1 Loans and borrowings

	2018 $'000	2017 $'000
Current		
Finance lease liability	155	290
Non-current		
Finance lease liability	328	474

Finance facilities

The terms and conditions of the Group's finance facilities at 30 June 2018 were as follows:

Facility	Currency	Nominal interest rate	Maturity	2018 Facility limit $'000	2018 Carrying amount $'000	2017 Facility limit $'000	2017 Carrying amount $'000
Trade finance	AUD	Variable	-	500	-	500	-
Corporate credit card	AUD	Variable	-	50	2	50	-
	USD	Variable	-	100	38	-	-
Finance lease	AUD	5.4%-8.2%	2018-2020	5,000	483	5,000	764
Foreign currency advance facility	USD	LIBOR+ 2.2%	2020	4,000	-	4,000	-

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	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Less than one year	172	317	17	27	155	290
Between one and five years	344	506	16	32	328	474
	516	823	33	59	483	764

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

Section F Capital Structure and Borrowings (continued)

F2 Capital and reserves

Share capital	2018 No. of shares	2018 $'000	2017 No. of shares	2017 $'000
Ordinary shares				
Balance at beginning of year	100,000,000	25,921	100,000,000	25,921
Balance at end of year	100,000,000	25,921	100,000,000	25,921

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.

F3 Dividends

Dividends recognised by the Company are:

2018	Cents per share $	Total amount $	Franked/ unfranked	Date of payment
Interim 2018 ordinary	1.10	1,100,000	Franked	7 April 2018
Final 2017 ordinary	4.70	4,700,000	Franked	15 September 2017
Total amount		5,800,000		
2017				
Interim 2017 ordinary	0.90	900,000	Franked	7 April 2017
Final 2016 ordinary	3.78	3,780,000	Franked	19 September 2016
Total amount		4,680,000		

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

Dividend franking account

	2018	2017
30 percent franking credits available to shareholders of PWR Holdings Limited	1,132,457	996,471

At 30 June 2018, the franking credits of the Group were 6,269,317 (2017 : 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.

Section F Capital Structure and Borrowings (continued)

F4 Commitments

Operating leases

Non-cancellable operating leases are payable as follows:	2018 $'000	2017 $'000
Less than one year	1,805	1,615
Between one and five years	7,002	6,317
More than five years	3,383	3,762
	12,190	11,694

The Group leases its office and factory facilities under operating leases from non-related entities. During the financial year ended 30 June 2018 an amount of $1,885,328 was recognised as an expense in the income statement in respect of operating leases (2017: $1,503,920).

Other commitments

At 30 June 2018, the Group had agreed to purchase plant and equipment for $2.5 million (2017: $1.4 million) as part of its capital investment program announced on 26 April 2018.

Section G Group Structure

G1 Parent entity information

As at and throughout the financial year ended 30 June 2018, the parent and ultimate parent entity of the Group was PWR Holdings Limited.

	2018	2017
Statement of profit or loss and other comprehensive income	**$’000**	**$’000**
Profit/(Loss) after income tax	5,445	5,929
Total comprehensive income	5,445	5,929
Statement of financial position		
Total current assets	21	14
Total non-current assets	27,678	27,994
Total assets	27,699	28,008
Total current liabilities	203	232
Total non-current liabilities	-	-
Total liabilities	203	232
Net assets	27,496	27,776
Equity		
Issued capital	25,921	25,921
Reserves	124	49
Retained earnings	1,451	1,806
Total equity	27,496	27,776

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 2018.

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.

	Country of incorporation	Ownership interest 2018 %	2017 %
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 Instrument 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.

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 2018 is set out below.

Statement of profit or loss and other comprehensive income	**2018 $'000**	**2017 $'000**
Revenue	36,955	33,565
Other income	876	2,329
Raw materials and consumables used	(5,997)	(6,209)
Employee expenses	(14,280)	(13,282)
Occupancy expenses	(1,212)	(1,002)
Other expenses	(1,529)	(1,678)
Profit before depreciation, net finance costs and income tax	14,813	13,723
Depreciation and amortisation	(980)	(1,064)
Profit before net finance costs and income tax	13,833	12,659
Finance income	810	447
Finance costs	(29)	(550)
Net finance income/(costs)	781	(103)
Profit before income tax	14,614	12,556
Income tax expense	(3,902)	(3,650)
Profit for the year attributable to equity holders of the parent	10,712	8,906
Total comprehensive income for the year	10,712	8,906

Notes to the consolidated financial statements

For the year ended 30 June 2018

Section G Group Structure (continued)

G3 Deed of cross guarantee (continued)

Statement of financial position	2018 $'000	2017 $'000
Assets		
Current assets		
Cash and cash equivalents	10,380	7,333
Trade and other receivables	5,812	4,964
Inventories	4,363	4,182
Current tax assets	-	981
Other assets	1,195	448
Total current assets	21,750	17,908
Non-current assets		
Property, plant and equipment	5,917	5,602
Intangible assets	10,985	10,985
Related party loans	7,687	6,429
Investments in subsidiaries	1,944	1,944
Deferred tax assets	1,425	1,143
Total non-current assets	27,958	26,103
Total assets	49,708	44,011
Liabilities		
Current liabilities		
Trade and other payables	1,942	1,850
Loans and borrowings	155	290
Employee benefits	1,549	1,338
Tax liabilities	467	-
Provisions	81	75
Total current liabilities	4,194	3,553
Non-current liabilities		
Loans and borrowings	328	474
Employee benefits	100	112
Total non-current liabilities	428	586
Total liabilities	4,622	4,139
Net assets	45,086	39,872
Equity		
Issued capital	25,921	25,921
Reserves	394	49
Retained earnings	18,771	13,902
Total equity	45,086	39,872

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.

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	**2018**	**2017**
		$'000	**$'000**
Cash and cash equivalents	*C1*	12,110	9,064
Trade and other receivables	*C2*	4,054	3,444
		16,164	12,508

Cash and cash equivalents

The Group held cash and cash equivalents of $12,110,095 at 30 June 2018 (2017: $9,063,782), 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 A 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	
	2018	**2017**
	$'000	**$'000**
Australia	1,084	702
UK	2,091	1,479
USA	879	1,263
	4,054	3,444

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

Not past due	3,228	2,900
Past due 1-30 days	801	443
Past due 31-60 days	22	101
Past due > 61 days	3	81
	4,054	3,525
Provision for impairment	-	(81)
	4,054	3,444

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.

No impairment losses were recognised in respect of trade and other receivables during the year (2017: $80,740).

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 : (refer note F1)

- A$500,000 trade finance facility;
- A$5,000,000 asset finance facility;
- USD$4,000,000 foreign currency advance facility;
- A$50,000 corporate credit card facility; and
- USD$100,000 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
2018		**\$'000**	**\$'000**	**\$'000**	**\$'000**
Trade and other payables	*C8*	3,397	(3,397)	(3,397)	-
Finance lease liabilities	*F1*	483	(516)	(172)	(344)
		3,880	(3913)	(3,569)	(344)
2017					
Trade and other payables	*C8*	2,921	(2,921)	(2,921)	-
Finance lease liabilities	*F1*	764	(822)	(317)	(505)
		3,685	(3,743)	(3,238)	(505)

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. The Group uses derivative instruments to manage currency risk.

Under the Group's financial risk management policies, the Group may use derivative financial instruments to manage its foreign currency risks. There are no derivative financial instruments that were unsettled at year end (2017 : Nil).. During the year ended 30 June 2018, the Group recognised \$236,000 in realised losses on settled derivatives (2017 : Nil). This has been included in finance costs in the income statement.

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 2018			30 June 2017		
	Note	**AUD**	**GBP**	**USD**	**AUD**	**GBP**	**USD**
Trade receivables	*C2*	470	1,230	1,076	438	879	1,160
Trade payables	*C8*	(684)	(280)	(201)	(763)	(80)	(220)
Net statement of financial position exposure		(214)	950	875	(325)	799	940

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 2017, 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 2018	**$'000**	**$'000**	**$'000**	**$'000**
GBP (10% movement)	108	(118)	108	(118)
USD (10% movement)	76	(83)	76	(83)
30 June 2017				
GBP (10% movement)	86	(95)	86	(95)
USD (10% movement)	78	(86)	78	(86)

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	
	2018	**2017**
Fixed rate instruments	**$'000**	**$'000**
Financial assets	-	-
Financial liabilities	(483)	(764)
	(483)	(764)
Variable rate instruments		
Financial assets	12,110	9,064
Financial liabilities	-	-
	12,110	9,064

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 2018	$'000	$'000	$'000	$'000
Variable rate instruments	84	(84)	84	(84)
Cash flow sensitivity (net)	84	(84)	84	(84)
30 June 2017				
Variable rate instruments	63	(63)	63	(63)
Cash flow sensitivity (net)	63	(63)	63	(63)

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)	
		2018	2017	2018	2017
Entity	**Transaction**	$'000	$'000	$'000	$'000
PWR Property Holdings Pty Ltd (i)	Property rent	-	147	-	-
Bayswater Road Radiators Pty Ltd (ii)	Sales of goods	36	46	3	4
Triple Eight Race Engineering Pty Ltd (iii)	Sales of goods	13	5	-	1

(i) The Group leased its Australian head office and factory facilities from an entity associated with Kees Weel until 31 August 2016.
(ii) Bayswater Road Radiators Pty Ltd is an entity associated with Kees Weel, which purchases goods from the Group.
(iii) Triple Eight Race Engineering Pty Ltd is an entity associated with Roland Dane, which purchases goods from the Group.

Notes to the consolidated financial statements

For the year ended 30 June 2018

Section H Other Information (continued)

H3 Auditor Remuneration

	2018	2017
Audit services	**$**	**$**
Auditors of the Group		
KPMG		
Audit of financial reports	142,500	142,500
Accountability GB		
Audit of financial reports	14,157	13,546
Other services		
Auditors of the Group		
KPMG	-	-
Accountability GB		
Taxation Services	1,598	1,623

H4 Subsequent events

The Board declared a fully franked final ordinary dividend of 6.20 cents per share. The financial effect of the 2018 declared final dividend has not been brought to account in the consolidated financial statements for the year ended 30 June 2018.

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 2018 and earlier adoption is permitted, however the Group has not early adopted the following new or amended standards in preparing these consolidated financial statements.

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’ (“ECL”) model for calculating impairment on financial assets and new general hedge accounting requirements.

The Group has undertaken an impact assessment regarding the adoption of AASB 9. Given the Group does not hold complex financial instruments or long dated receivables, it does not expect any material impact on its financial statements on application on 1 July 2018.

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. The Group plans to adopt AASB 15 in its consolidated financial statements for the year ending 30 June 2019.

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 are disclosed in note B2. The Group has completed an assessment of the application of AASB 15 and does not believe the new requirements will have a material impact on the financial results or the position of the Group on adoption on 1 July 2018.

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.

Notes to the consolidated financial statements

For the year ended 30 June 2018

Section I Significant Accounting Policies

1. Basis of consolidation
2. Foreign currency
3. Revenue
4. Employee benefits
5. Finance income and finance costs
6. Income tax
7. Inventories
8. Property, plant and equipment
9. Intangible assets and goodwill
10. Share capital
11. Impairment
12. Provisions
13. Leases
14. Financial instruments
15. Fair value measurement

Section I Significant accounting policies (continued)

1 Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2 Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of the Groups' 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.

3 Revenue

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 on completion of the service.

4 Employee benefits

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.

5 Finance income and finance costs

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.

6 Income Tax

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

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.

7 Inventories

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.

8 Property, plant and equipment

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.

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:

	2018	**2017**
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.

9 Intangible assets and goodwill

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.

Research and development

Research expenditure is recognised as an expense as incurred. Concessional tax benefits and incentives receivable are recognised as other income based on an estimate of the eligible research and development expenditure incurred during the financial year. Costs incurred on development projects are recognised as intangible assets only when it is probable that a project will, after assessment of its commercial and technical feasibility, be completed and generate future economic benefits and can be measured reliably.

Impairment of 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 of non financial assets (continued)

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.

10 Share capital

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.

11 Impairment

For the purpose of impairment testing, 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 2019 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

12 Provisions

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.

13 Leases

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.

14 Financial instruments

Non-derivative financial liabilities

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.

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. 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.

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.

15 Fair value measurements

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

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

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.

When one is available, the Group measures the fair value using the quoted price in an active market for that asset or liability. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. When an active market is not available, the Group uses observable market data as far as possible.

Further information about the methods and assumptions made in determining fair values for measurement and/or disclosure purposes is included in the following notes:

- Note I14 – financial instruments
- Note D3 – share based payments.

PWR Holdings Limited
and its controlled entities
Directors' declaration
For the year ended 30 June 2018

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 2018 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 2018.

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
Brisbane
23rd August 2018

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 Holdings 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 2018 and of its financial performance for the year ended on that date; and
- complying with the *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2018;
- 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 or 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 intangible assets.

Key Audit Matters are those matters that, in our professional judgement, 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.

Valuation of goodwill and intangible assets ($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 27% of total assets). 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. 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. We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.	Our procedures included: • 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. • We assessed the integrity of the value in use models used, including the accuracy of the underlying calculation formulas. • 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. • We compared the forecast cash flows contained in the value in use model to Board approved budgets and the Group's business plans. • We assessed the accuracy of previous Group forecasts to inform our evaluation of forecasts incorporated in the models. • 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. • 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. • 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. • 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 Managing Director'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 the 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 and Company'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 and Company 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 the 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_responsibilities/ar1.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 2018 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 11 to 19 of the Directors' Report for the year ended 30 June 2018.

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
23 August 2018

Additional ASX information

Shareholdings as at 15 August 2018

Distribution of equity security holders

Category	Number of Ordinary shares	Number of Security Holders
1 – 1,000	174,354	309
1,001 – 5,000	4,057,156	1,316
5,001 – 10,000	5,653,970	746
10,001 – 100,000	9,040,695	428
100,001 and over	81,073,825	25
	100,000,000	**2,824**

48 shareholders hold less than a marketable parcel of ordinary shares of 174 shares.

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	9,756,347	9.76
3	Citicorp Nominees Pty Limited	8,030,358	8.03
4	J P Morgan Nominees Australia Limited	6,460,701	6.46
5	National Nominees Limited	4,642,151	4.64
6	Mamlec Pty Ltd	3,773,308	3.77
7	Merrill Lynch (Australia) Nominees Pty Limited	1,659,879	1.66
8	BNP Paribas Nominees Pty Ltd	1,419,836	1.42
9	BNP Paribas Noms Pty Ltd	1,267,565	1.27
10	BNP Paribas Noms (NZ) Ltd	993,773	0.99
11	UBS Nominees Pty Ltd	985,078	0.99
12	Bond Street Custodians Ltd	632,923	0.63
13	Neweconomy Com Au Nominees Pty Ltd	482,650	0.48
14	Wask Management Pty Ltd	364,575	0.36
15	Truebell Capital Pty Ltd	360,000	0.36
16	Ms Deslea Mary Sneddon	299,191	0.30
17	RT Developments Pty Ltd	250,000	0.25
18	Invia Custodian Pty Ltd	238,975	0.24
19	Anacacia Pty Ltd	218,511	0.22
20	Citicorp Nominees Pty Limited (DPSL A/C)	204,707	0.20
	Top 20 holders of ordinary fully paid shares	80,409,028	80.41
	Total remaining holders balance	19,590,972	19.59

Additional ASX information

Substantial shareholders

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

Shareholder	Number
KPW Property Holdings Pty Ltd	38,368,500
IOOF Holdings Ltd	9,642,056
Tribeca Investment Partners Pty Ltd	6,504,256

Rights

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

Number of rights holders	Number of rights on issue
5	210,252

Voting rights

Ordinary shares

Refer to Note F2 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

Teresa Handicott
Jeffrey Forbes
Roland Dane
Kees Weel

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
Level 1
200 Mary Street
Brisbane 4000
Queensland