# PWR Holdings Pty Ltd
# and its controlled entities

ACN:105 326 850

**Annual Financial Report**

**30 June 2015**

# Contents

# PWR Holdings Pty Ltd
# and its controlled entities
## Directors' report
## For the year ended 30 June 2015

The directors present their report together with the financial report of PWR Holdings Pty Ltd (the "Company") and its controlled entities (the "Group") for the year ended 30 June 2015 and the auditor's report thereon.

**Directors**

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

| Director | Appointed |
|---|---|
| Kees Cornelius Weel | 30 June 2003 |
| Paul Anthony Weel | 18 September 2009 |
| Robert Edward Thorn | 7 August 2015 |
| Jeffrey Ian Forbes | 7 August 2015 |

The Company's registered office is Suite 1401, Level 14, The Rocket, 203 Robina Town Centre Drive, Robina, Queensland 4226 and principal place of business is 103 Lahrs Road, Ormeau, Queensland 4208.

**Officers who were previously partners of the audit firm**

There were no officers of the Company during the financial year who were previously partners of the current audit firm, KPMG, at a time when KPMG undertook an audit of the Company.

**Principal activities**

The principal activities of the Group during the course of the financial year were the design, manufacture and sales of specialised aluminium cooling products and solutions to the motorsport and specialist automotive, military, avionics, original equipment manufacturing and automotive aftermarket industries for domestic and international markets.

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

**Operating and financial review**

The net profit after tax of the Group for the year ended 30 June 2015 was $8,909,175 (2014: $5,842,717).

During the year the Group continued its growth in both domestic and international markets. As part of its growth strategy and to expand its footprint in the USA market, the Group purchased the business assets and undertakings of C&R Racing Inc. on 27 March 2015. The Group's existing USA operations were integrated with the business of C&R Racing Inc. The acquisition was funded by a debt facility of US$5.5m and the issue of ordinary shares in the Company.

During the year the Group established and drew down a dividend recapitalisation debt facility of £8.0m (A$15.6m), which was used primarily to finance dividend payments.

**Significant changes in the state of affairs**

Other than the matters as disclosed elsewhere in this Director's Report, there were no significant changes in the state of affairs of the Group that occurred during the financial year under review.

**Dividends**

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

| | Dollars per share[1] $ | Total amount $ | Franked/ unfranked | Date of payment |
|---|---|---|---|---|
| **2015** | | | | |
| Final 2015 ordinary | 13.78 | 13,300,000 | Franked | 31 March 2015 |
| Total amount | | 13,300,000 | | |
| | | | | |
| **2014** | | | | |
| Final 2014 ordinary | 7.25 | 7,000,000 | Franked | 24 June 2014 |
| Total amount | | 7,000,000 | | |

[1] Dividends per share are stated post the impact of a 965,000 to 1 share split in March 2015.

**Share options**

No share options were issued in the current or prior periods.

**Environmental regulation**

The Group is subject to various environmental regulations under both Commonwealth and State legislation.

The Directors believe that the Group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Group during the period covered by this report.

**Events subsequent to reporting date**

On 7 August, Robert Edward Thorn and Jeffrey Ian Forbes were appointed directors of the Company and Lisa Dalton was appointed Company Secretary.

Other than the matters 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.

**Likely developments**

The Group will continue to pursue its policy of increasing profitability and market share in the markets within which it operates 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.

**Indemnification and insurance of officers and auditors**

***Indemnification***

Since the end of the previous financial year, the Group has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been an officer or auditor of the Group.

***Insurance premiums***

During the financial year the Group has paid premiums in respect of directors' and officers' liability and legal expenses insurance contracts for the year ended 30 June 2015 and since the financial year, the Group has paid or agreed to pay premiums in respect of such insurance contracts for the year ending 30 June 2016. Such insurance contracts insure against certain liability (subject to specific exclusions) persons who are or have been directors or executive officers of the Group.

**Lead auditor's independence declaration**

The lead auditor's independence declaration is set out on page 5 and forms part of the directors' report for the financial year ended 30 June 2015.

This report is made with a resolution of the directors:

Kees Weel
Director
Dated at Brisbane, this 28th day of August 2015.

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

To: the directors of PWR Holdings Pty Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2015 there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Jason Adams
Partner

Brisbane
28 August 2015

# PWR Holdings Pty Ltd
# and its controlled entities

## Consolidated Statement of Financial Position

## At 30 June 2015

| | Note | 2015 | 2014 |
|---|---|---|---|
| **Assets** | | $ | $ |
| **Current assets** | | | |
| Cash and cash equivalents | *11a* | 1,005,861 | 1,638,984 |
| Trade and other receivables | *12* | 4,314,617 | 2,748,573 |
| Inventories | *13* | 5,106,744 | 2,841,061 |
| Current tax assets | *14* | 170,388 | - |
| Other assets including derivatives | *15* | 1,411,715 | 212,917 |
| **Total current assets** | | 12,009,325 | 7,441,535 |
| **Non-current assets** | | | |
| Property, plant and equipment | *16* | 4,727,525 | 3,523,131 |
| Intangible assets | *17* | 14,172,286 | - |
| Other assets including derivatives | *15* | - | 62,616 |
| Deferred tax assets | *14* | 656,145 | 109,245 |
| **Total non-current assets** | | 19,555,956 | 3,694,992 |
| **Total assets** | | 31,565,281 | 11,136,527 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | *18* | 1,849,531 | 798,589 |
| Loans and borrowings | *19* | 5,579,444 | 535,411 |
| Employee benefits | *20* | 868,600 | 438,141 |
| Provisions | *21* | 99,688 | - |
| Current tax liabilities | *14* | - | 1,607,121 |
| **Total current liabilities** | | 8,397,263 | 3,379,262 |
| **Non-current liabilities** | | | |
| Loans and borrowings | *19* | 17,794,203 | 963,943 |
| Employee benefits | *20* | 115,960 | 119,056 |
| **Total non-current liabilities** | | 17,910,163 | 1,082,999 |
| **Total liabilities** | | 26,307,426 | 4,462,261 |
| **Net assets** | | 5,257,855 | 6,674,266 |
| **Equity** | | | |
| Issued capital | *22* | 2,553,251 | 1 |
| Reserves | *22* | 531,463 | 110,299 |
| Retained earnings | | 2,173,141 | 6,563,966 |
| **Total equity** | | 5,257,855 | 6,674,266 |

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

# PWR Holdings Pty Ltd
# and its controlled entities

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

## For the year ended 30 June 2015

| | *Note* | 2015<br>$ | 2014<br>$ |
|---|---|---|---|
| Revenue | *6* | 32,525,689 | 22,478,214 |
| Other income | *7* | 88,908 | 121,996 |
| | | | |
| Raw materials and consumables used | | (7,794,931) | (4,285,119) |
| Changes in inventories of finished goods and work in progress | | 355,421 | 316,504 |
| Employee expenses | | (9,297,028) | (6,521,671) |
| Depreciation and amortisation | | (813,656) | (791,390) |
| Royalty expenses | | - | (1,042,249) |
| Occupancy expenses | | (1,080,553) | (751,297) |
| Other expenses | *8* | (1,772,988) | (1,192,200) |
| **Results from operating activities** | | 12,210,862 | 8,332,788 |
| | | | |
| Finance income | | 713,926 | 10,263 |
| Finance costs | | (406,465) | (221,804) |
| **Net finance income/(costs)** | *9* | 307,461 | (211,541) |
| | | | |
| **Profit before income tax** | | 12,518,323 | 8,121,247 |
| Income tax expense | *10* | (3,609,148) | (2,278,530) |
| **Profit for the year** | | 8,909,175 | 5,842,717 |
| | | | |
| **Other comprehensive income** | | | |
| **Items that are or may be reclassified to profit or loss:** | | | |
| Exchange differences on translating foreign operations | | 421,164 | 39,795 |
| **Total comprehensive income for the year** | | 9,330,339 | 5,882,512 |
| | | | |
| **Basic and diluted earnings per share** | *31* | 9.15 | 6.05 |

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

# PWR Holdings Pty Ltd
# and its controlled entities

## Consolidated Statement of Changes in Equity

## For the year ended 30 June 2015

| | *Note* | Share capital $ | Foreign currency translation reserve $ | Retained earnings $ | Total equity $ |
|---|---|---|---|---|---|
| Balance at 1 July 2014 | | 1 | 110,299 | 6,563,966 | 6,674,266 |
| **Total comprehensive income for the year** | | | | | |
| Profit for the year | | - | - | 8,909,175 | 8,909,175 |
| Other comprehensive income | | - | 421,164 | - | 421,164 |
| Total comprehensive income | | - | 421,164 | 8,909,175 | 9,330,339 |
| **Transactions with owners, recorded directly in equity** | | | | | |
| Share issued during the year | 22 | 2,553,250 | - | - | 2,553,250 |
| Dividends paid | 22 | - | - | (13,300,000) | (13,300,000) |
| Total transactions with owners | | 2,553,250 | - | (13,300,000) | (10,746,750) |
| **Balance at 30 June2015** | | 2,553,251 | 531,463 | 2,173,141 | 5,257,855 |
| Balance at 1 July 2013 | | 1 | 70,504 | 7,721,249 | 7,791,754 |
| **Total comprehensive income for the year** | | | | | |
| Profit for the year | | - | - | 5,842,717 | 5,842,717 |
| Other comprehensive income | | - | 39,795 | - | 39,795 |
| Total comprehensive income | | - | 39,795 | 5,842,717 | 5,882,512 |
| **Transactions with owners, recorded directly in equity** | | | | | |
| Dividends paid | 22 | - | - | (7,000,000) | (7,000,000) |
| Total transactions with owners | 22 | - | - | (7,000,000) | (7,000,000) |
| **Balance at 30 June2014** | | 1 | 110,299 | 6,563,966 | 6,674,266 |

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

# PWR Holdings Pty Ltd
# and its controlled entities

## Consolidated Statement of Cash Flows

## For the year ended 30 June 2015

| | *Note* | 2015 | 2014 |
|---|---|---|---|
| **Cash flows from operating activities** | | $ | $ |
| Cash receipts from customers | | 35,016,101 | 21,654,155 |
| Cash paid to suppliers and employees | | (20,951,635) | (13,639,251) |
| Cash generated from operating activities | | 14,064,466 | 8,014,904 |
| Interest paid | | (265,845) | (187,272) |
| Income tax paid | | (5,688,109) | (1,481,581) |
| **Net cash from operating activities** | *11b* | 8,110,512 | 6,346,051 |
| | | | |
| **Cash flows from investing activities** | | | |
| Government grant income received | | 63,691 | 65,096 |
| Interest received | | 33,625 | 10,263 |
| Insurance refund received | | - | 3,600 |
| Acquisition of subsidiary, net of cash acquired | *24* | (6,894,095) | - |
| Payments for intangible assets | | (3,293,761) | - |
| Proceeds from sale of property, plant and equipment | | 79,413 | 127,629 |
| Payments for property, plant and equipment | | (996,919) | (268,510) |
| **Net cash used in investing activities** | | (11,008,046) | (61,922) |
| | | | |
| **Cash flows from financing activities** | | | |
| Dividends paid | | (13,300,000) | (3,000,000) |
| Proceeds from borrowings | | 22,696,483 | - |
| Repayment of borrowings | | (1,168,746) | - |
| Loans to related parties | | (5,197,808) | (2,422,910) |
| Payment of finance lease liabilities | | (762,972) | (495,412) |
| **Net cash used in financing activities** | | 2,266,957 | (5,918,322) |
| | | | |
| **Net increase in cash and cash equivalents** | | (630,577) | 365,807 |
| Cash and cash equivalents at 1 July | | 1,638,984 | 1,270,447 |
| Effect of exchange rate fluctuations on cash held | | (2,546) | 2,730 |
| **Cash and cash equivalents at 30 June** | *11a* | 1,005,861 | 1,638,984 |

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

# PWR Holdings Pty Ltd
# and its controlled entities
## Notes to the consolidated financial statements
## For the year ended 30 June 2015

1. **Reporting entity**

PWR Holdings Pty Ltd (the "Company") is a Company domiciled in Australia incorporated on 30 June 2003. The Company's registered office is Suite 1401, Level 14, The Rocket,203Robina Town Centre Drive, Robina, Queensland 4226and principal place of business is 103 Lahrs Road, Ormeau, Queensland 4208.

The consolidated financial statements of the Company as at and for the year ended 30 June 2015 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group Entities"). The Group is involved in the design, manufacture and sales of specialised aluminium cooling products and solutions to the motorsport and specialist automotive, military, avionics, original equipment manufacturing and automotive aftermarket industries for domestic and international markets.

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

2. **Basis of preparation**

**(a) Statement of compliance**

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

The financial statements were approved by the Board of Directors on 28 August 2015.

**(b) Basis of measurement**

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- Derivative financial instruments at fair value through profit or loss are measured at fair value

**(c) Functional and presentation currency**

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

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

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

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

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

- Note 13 – Inventories
- Note 17 – Intangible assets
- Note 21 – Provisions
- Note 24 – Business combinations

**3. Significant accounting policies**

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

**(a) Basis of consolidation**

**Business combinations**

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

**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 that control commences until the date that control ceases.

**Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

**(b) Foreign currency**

**Foreign currency transactions**

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

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

Foreign currency differences are generally recognised in profit or loss.

**Foreign operations**

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

**3. Significant accounting policies (cont)**

**(c) Financial Instruments**

**Non-derivative financial assets - recognition**

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

**Non-derivative financial assets - measurement**

***Loans and receivables***

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise cash and cash equivalents and trade and other receivables.

***Cash and cash equivalents***

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less, that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short term commitments.

**Non-derivative financial liabilities - 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.

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.

**Non-derivative financial liabilities – measurement**

***Trade Payables***

Trade and other payables are carried at amortised cost.

***Bank Overdraft***

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

**3. Significant accounting policies (cont)**

**(c) Financial Instruments (cont)**

**Non-derivative financial liabilities – measurement (cont)**

***Interest-bearing loans and liabilities***

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 uses 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.

**(d) Share capital**

***Ordinary shares***

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

***Dividends***

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

**(e) Property, plant and equipment**

**Recognition and measurement**

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

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

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

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

**Subsequent costs**

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

**3. Significant accounting policies (cont)**

**(e) Property, plant and equipment (cont)**

**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:

| | 2015 | 2014 |
|---|---|---|
| • 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.

**(f) Intangible assets**

**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. As 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.

Trademarks are subsequently carried at cost less impairment losses and are not amortised as they are considered to have an indefinite useful life.

**Other intangible assets**

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

**Amortisation**

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

Amortisation methods, useful lives and residual value are reviewed at each reporting date and adjusted if appropriate.

**3. Significant accounting policies (cont)**

**(g) 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.

**(h) Impairment**

**Non-derivative financial assets**

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restricting of an amount due to the Group on terms that the Group would not consider otherwise, or indications that a debtor will enter bankruptcy.

Impairment of loans and receivables is not recognised until objective evidence indicates that a loss event has occurred after the initial recognition of the asset and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance amount against loans and receivables. Interest on the impaired asset continues to be recognised. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

**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 largely independent of the cash inflows of other assets or CGU.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## 3. Significant accounting policies (cont)

### (i) 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 pat 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 benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

***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.

### (j) Revenue recognition

**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, trade discounts and volume rebates. 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.

The timing of transfers of risks and rewards varies depending on the individual terms of the contract of sale. For sales of goods, usually transfer occurs when the product is received at the customer's warehouse; however, for some international shipments transfer occurs upon loading the goods onto the relevant carrier at the port of the seller. Generally for such products the buyer has no right of return.

**Rendering of services**

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

**Government grants**

An unconditional government grant is recognised in profit or loss as other income when the grant becomes receivable.

**3. Significant accounting policies (cont)**

**(k) 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.

**(l) 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. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses on financial assets and financial 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.

**(m) Provisions**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

***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.

**(n) 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.

3. **Significant accounting policies (cont)**

(n) **Income tax (cont)**

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 entity 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 series 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 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.

(o) **Goods and services tax**

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

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as current asset or liability in the statement of financial position.

Cashflows are included in the statement of cashflows on a gross basis. The GST components of cashflows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cashflows.

## 3. Significant accounting policies (cont)

### (p) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2014, and have not been applied in preparing these consolidated financial statements.

***AASB 9 (2014) Financial Instruments***

AASB 9 replaces the existing guidance in AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 includes revised guidance on the classification and measurement of financial instruments including a new expected credit loss model for calculating impairment on financial assets and the new general hedge accounting requirements. AASB 9 is effective for annual financial reporting periods beginning 1 January 2018. The Group has not determined the extent of the impact of the new standard and does not plan to adopt it early.

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

AASB15 establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. AASB 15 is effective for annual financial reporting periods beginning 1 January 2017. The Group has not determined the extent of the impact of the new standard and does not plan to adopt it early.

## 4. Determination of fair values

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

**Inventories**

The fair value of inventories is based on its estimated selling price on the ordinary course of business less the estimated cost of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

**Trade and other receivables**

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

**Property, plant and equipment**

The fair value of property, plant and equipment is based on the market approach or cost approaches using quoted market prices for similar items when available and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

**Trademarks**

The fair value of trademarks is based on the relief from royalty method which considers the discounted estimated royalty payments that are expected to be avoided as a result of the trademark being owned.

**Non-derivative financial liabilities**

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

**Derivative financial instruments**

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

## 5. Operating segments

The Group defines its reportable segments based on the information that is provided to the Managing Director (MD) who is the chief operating decision maker.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the MD include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Inter-segment pricing is determined on an arm's length basis.

Reportable segments are based on the location of the Group's manufacturing facilities and sales offices in Australia, United Kingdom (UK) and the United States of America (USA).

The Group's MD reviews the internal management reports of each division monthly. Performance is measured based on segment profit before interest and tax because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate within the same industry.

Information related to each reportable segment is set out below and analyses segment revenue based on the country of domicile and segment assets based on the geographical location of the assets.

| | Australia | | UK | | USA | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| | $ | $ | $ | $ | $ | $ | $ | $ |
| External revenues | 6,914,055 | 6,930,412 | 16,891,746 | 11,816,488 | 8,719,888 | 3,731,314 | 32,525,689 | 22,478,214 |
| Inter-segment revenues | 17,901,651 | 13,914,392 | - | - | - | - | 17,901,651 | 13,914,392 |
| Segment revenue | 24,815,706 | 20,844,804 | 16,891,746 | 11,816,488 | 8,719,888 | 3,731,314 | 50,427,340 | 36,392,606 |
| Segment profit/(loss) before interest and tax | 11,566,260 | 8,658,218 | 435,280 | 206,950 | (60,027) | 3,945 | 11,941,513 | 8,869,113 |
| Depreciation and amortisation | 685,667 | 777,607 | 13,195 | 10,153 | 114,794 | 3,630 | 813,656 | 791,390 |
| Segment assets | 16,404,177 | 10,346,031 | 2,059,730 | 3,481,822 | 12,040,786 | 852,449 | 30,504,693 | 14,680,302 |
| Capital expenditure | 763,375 | 583,996 | 28,899 | 10,763 | 16,403 | - | 808,677 | 594,759 |
| Non-current assets | 11,865,031 | 3,476,083 | 48,424 | 30,428 | 7,037,670 | 16,620 | 18,951,125 | 3,523,131 |
| Segment liabilities | 1,771,288 | 953,648 | 356,572 | 2,534,541 | 1,955,194 | 755,888 | 4,083,054 | 4,244,077 |

5. **Operating segments (cont)**

| **Reconciliation of reportable segment profit or loss** | **2015** **$** | **2014** **$** |
|---|---|---|
| ***Revenues*** | | |
| Total revenue for reportable segments | 50,427,340 | 36,392,606 |
| Elimination of inter-segment revenue | (17,901,651) | (13,914,392) |
| Consolidated revenue | 32,525,689 | 22,478,214 |
| | | |
| ***Profit before tax*** | | |
| Total profit before tax for reportable segments | 11,941,513 | 8,869,113 |
| Elimination of inter-segment profit | 381,344 | (529,159) |
| Net finance income/(costs) | 307,461 | (211,541) |
| Unallocated corporate expenses | (111,995) | (7,166) |
| Consolidated profit before tax | 12,518,323 | 8,121,247 |
| | | |
| ***Assets*** | | |
| Total assets for reportable segments | 30,504,693 | 14,680,302 |
| Elimination of inter-segment balances | (1,410,807) | (3,653,020) |
| Deferred tax assets | 656,145 | 109,245 |
| Other unallocated amounts | 1,815,250 | - |
| Consolidated total assets | 31,565,281 | 11,136,527 |
| | | |
| ***Liabilities*** | | |
| Total liabilities for reportable segments | 4,083,054 | 4,244,077 |
| Elimination of inter-segment balances | (1,153,393) | (2,888,291) |
| Current tax liabilities | - | 1,607,121 |
| Loans and borrowings | 23,377,765 | 1,499,354 |
| Consolidated total liabilities | 26,307,426 | 4,462,261 |

Revenue from one major customer earned by all segments represents approximately 13.98% (2014: 15.14%) of the Group's total revenue.

## 6. Revenue

| | 2015 | 2014 |
|---|---|---|
| | $ | $ |
| Sales of goods | 30,813,347 | 21,263,949 |
| Rendering of services | 1,267,476 | 812,203 |
| Other revenue | 444,866 | 402,062 |
| | 32,525,689 | 22,478,214 |

## 7. Other income

| | | |
|---|---|---|
| Government grant income | 63,691 | 65,096 |
| Other income | 25,217 | 56,900 |
| | 88,908 | 121,996 |

## 8. Other expenses

| | | |
|---|---|---|
| Professional fees | 486,071 | 127,645 |
| Travel costs | 404,496 | 253,494 |
| Motor vehicle costs | 97,973 | 181,016 |
| Loss on sale of property, plant and equipment | 2,248 | 145,542 |
| Net expense for allowance for inventory obsolescence | 94,366 | - |
| Other expenses | 687,834 | 484,503 |
| | 1,772,988 | 1,192,200 |

## 9. Finance income and expense

| | | |
|---|---|---|
| Interest income | 33,625 | 10,263 |
| Net foreign exchange gain | 680,301 | - |
| | 713,926 | 10,263 |
| | | |
| Interest expense | (265,845) | (127,892) |
| Borrowing costs | (140,620) | (59,380) |
| Net foreign exchange loss | - | (34,532) |
| | (406,465) | (221,804) |
| Net finance costs | 307,461 | (211,541) |

# Notes to the consolidated financial statements

## For the year ended 30 June 2015

### 10. Income tax expense

| | 2015 | 2014 |
|---|---|---|
| **Current tax expense** | **$** | **$** |
| Current period | 3,619,717 | 2,348,749 |
| Under provision in prior period | 47,986 | - |
| | 3,667,703 | 2,348,749 |
| **Deferred tax expense** | | |
| Origination and reversal of temporary differences | (55,330) | (70,219) |
| Over provision in prior period | (3,225) | - |
| | (58,555) | (70,219) |
| Total income tax expense | 3,609,148 | 2,278,530 |

| | | |
|---|---|---|
| **Numerical reconciliation between tax expense and pre-tax accounting profit** | | |
| Profit for the period | 8,909,175 | 5,842,717 |
| Total income tax expense | 3,609,148 | 2,278,530 |
| Profit excluding income tax | 12,518,323 | 8,121,247 |
| | | |
| Income tax using the Company's domestic tax rate of 30% | 3,755,497 | 2,436,374 |
| Research and development expenses | (134,541) | (118,020) |
| Effect of tax rates in foreign jurisdictions | (56,570) | (39,824) |
| Under provision in prior period | 44,762 | - |
| | 3,609,148 | 2,278,530 |

### 11a. Cash and cash equivalents

| | | |
|---|---|---|
| Bank balances | 997,986 | 1,622,064 |
| Cash on hand | 7,875 | 16,920 |
| Cash and cash equivalents in the statement of cash flows | 1,005,861 | 1,638,984 |

### 11b. Reconciliation of cash flows from operating activities

| | | |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit for the year | 8,909,175 | 5,842,717 |
| Adjustments for: | | |
| Depreciation and amortisation | 813,656 | 791,390 |
| Net foreign exchange (gain)/loss | (680,301) | 34,532 |
| Loss on sale of property, plant and equipment | 2,248 | 145,542 |
| Changes in: | | |
| Trade and other receivables | 781,653 | (939,428) |
| Inventories | 510,303 | (617,620) |
| Other assets | (1,280,432) | (126,918) |
| Trade and other payables | 961,680 | 346,997 |
| Employee benefits | 171,491 | 71,889 |
| Tax balances | (2,078,961) | 796,950 |
| Net cash from operating activities | 8,110,512 | 6,346,051 |

## 12. Trade and other receivables

| | 2015 | 2014 |
|---|---|---|
| | $ | $ |
| Trade receivables | 3,165,881 | 2,729,578 |
| Trade receivables due from related parties (refer note 27) | 11,239 | 18,995 |
| GST refund due | 1,137,497 | - |
| | 4,314,617 | 2,748,573 |

Information about the Group's exposure to credit and market risks for trade and other receivables is disclosed in Note 26.

## 13. Inventories

| | 2015 | 2014 |
|---|---|---|
| Raw materials | 1,437,239 | 1,182,213 |
| Work in progress | 382,165 | 250,000 |
| Finished goods | 4,182,513 | 1,267,954 |
| Consumables | 99,834 | 140,894 |
| Allowance for inventory obsolescence | (995,007) | - |
| | 5,106,744 | 2,841,061 |

The cost of inventories sold and recognised as an expense during the year ended 30 June 2015 was $14,677,481 (2014: $9,260,589).

## 14. Tax assets and liabilities

### Current tax assets and liabilities

The current tax asset of $170,388 (2014: liability $1,607,121) represents the amount of income tax receivable/ payable in respect of current and prior periods to the relevant tax authority.

### Movement in deferred tax balances

| 2015 | Net balance at 1 July $ | Recognised in profit or loss $ | Recognised in equity $ | Acquired in business combination $ | Exchange rate movements $ | Net $ | Deferred tax assets $ | Deferred tax liabilities $ |
|---|---|---|---|---|---|---|---|---|
| Property, plant and equipment | (70,598) | (15,951) | - | - | - | (86,549) | - | (86,548) |
| Employee benefits | 167,159 | 52,159 | - | 97,231 | 2,336 | 318,885 | 318,885 | - |
| Accruals | 6,506 | 92,149 | - | 50,357 | 1,210 | 150,222 | 150,222 | - |
| Inventories | - | (75,759) | - | 349,917 | 8,408 | 282,566 | 282,566 | - |
| Unrealised foreign exchange | - | (48,956) | (21,114) | - | - | (70,070) | - | (70,070) |
| Tax losses | - | 94,672 | - | - | - | 94,672 | 94,672 | - |
| Other items | 6,178 | (39,759) | - | - | - | (33,581) | - | (33,582) |
| Net tax assets/(liabilities) | 109,245 | 58,555 | (21,114) | 497,505 | 11,954 | 656,145 | 846,345 | (190,200) |

## 14. Tax assets and liabilities (cont)

### Movement in deferred tax balances

| 2014 | Net balance at 1 July $ | Recognised in profit or loss $ | Recognised in equity $ | Acquired in business combination $ | Exchange rate movements $ | Net $ | Deferred tax assets $ | Deferred tax liabilities $ |
|---|---|---|---|---|---|---|---|---|
| Property, plant and equipment | - | (70,598) | - | - | - | (70,598) | - | (70,598) |
| Employee benefits | - | 167,159 | - | - | - | 167,159 | 167,159 | - |
| Accruals | - | 6,506 | - | - | - | 6,506 | 6,506 | - |
| Other items | - | 6,178 | - | - | - | 6,178 | 6,178 | - |
| Net tax assets/ (liabilities) | - | 109,245 | - | - | - | 109,245 | 179,843 | (70,598) |

## 15. Other assets

| | 2015 | 2014 |
|---|---|---|
| **Current** | $ | $ |
| Prepayments | 5,823 | 59,130 |
| Deposits | 368,426 | 153,787 |
| Other assets | 36,542 | - |
| Forward exchange contracts at fair value through profit or loss | 1,000,924 | - |
| | 1,411,715 | 212,917 |
| **Non-current** | | |
| Prepayments | - | 57,280 |
| Other assets | - | 5,336 |
| | - | 62,616 |

## 16. Property, plant and equipment

| | | |
|---|---|---|
| Plant and equipment – at cost | 8,428,985 | 6,469,499 |
| Accumulated depreciation | (3,978,333) | (3,297,505) |
| | 4,450,652 | 3,171,994 |
| Motor vehicles – at cost | 449,389 | 599,447 |
| Accumulated depreciation | (191,541) | (307,847) |
| | 257,848 | 291,600 |
| Under construction | 19,025 | 59,537 |
| | 4,727,525 | 3,523,131 |

## 16. Property, plant and equipment (cont)

### Reconciliations

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

| 2015 | *Plant and equipment* | *Motor vehicles* | *Under construction* | *Total* |
|---|---|---|---|---|
| **Cost** | | | | |
| Opening balance | 6,469,499 | 599,447 | 59,537 | 7,128,483 |
| Additions | 982,028 | 14,891 | - | 996,919 |
| Acquired through business combination | 1,041,894 | 152,196 | - | 1,194,090 |
| Transfers | 40,512 | - | (40,512) | - |
| Disposals | (130,999) | (321,264) | - | (452,263) |
| Effect of movements in exchange rates | 26,051 | 4,119 | - | 30,170 |
| Closing balance | 8,428,985 | 449,389 | 19,025 | 8,897,399 |
| **Accumulated depreciation** | | | | |
| Opening balance | (3,297,505) | (307,847) | - | (3,605,352) |
| Disposals | 92,792 | 184,963 | - | 277,755 |
| Depreciation | (751,528) | (62,128) | - | (813,656) |
| Effect of movements in exchange rates | (22,092) | (6,529) | - | (28,621) |
| Closing balance | (3,978,333) | (191,541) | - | (4,169,874) |
| Net carrying amount | 4,450,652 | 257,848 | 19,025 | 4,727,525 |
| **2014** | | | | |
| **Cost** | | | | |
| Opening balance | 6,276,241 | 1,219,699 | - | 7,495,940 |
| Additions | 534,392 | 60,367 | 59,537 | 654,296 |
| Acquired through business combination | - | - | - | - |
| Transfers | - | - | - | - |
| Disposals | (344,849) | (681,099) | - | (1,025,948) |
| Effect of movements in exchange rates | 3,715 | 480 | - | 4,195 |
| Closing balance | 6,469,499 | 599,447 | 59,537 | 7,128,483 |
| **Accumulated depreciation** | | | | |
| Opening balance | (2,985,485) | (515,814) | - | (3,501,299) |
| Acquired through business combination | - | - | - | - |
| Disposals | 341,528 | 347,683 | - | 689,211 |
| Depreciation | (651,888) | (139,502) | - | (791,390) |
| Effect of movements in exchange rates | (1,660) | (214) | - | (1,874) |
| Closing balance | (3,297,505) | (307,847) | - | (3,605,352) |
| Net carrying amount | 3,171,994 | 291,600 | 59,537 | 3,523,131 |

The plant and equipment balance as at 30 June 2015 includes assets with carrying amounts of $1,057,901 under finance lease (2014: $1,621,140). The motor vehicles balance as at 30 June 2015 includes assets with carrying amounts of $50,295 under finance lease (2014: $125,074). During the year the Group acquired nil (2014: $406,954) of plant and equipment and motor vehicles by way of finance lease as part of its investing and financing activities.

## 17. Intangible assets

| | Note | Goodwill | Trademarks | Total |
|---|---|---|---|---|
| **2015** | | | | |
| Cost | | 3,186,920 | 10,985,366 | 14,172,286 |
| Accumulated amortisation | | - | - | - |
| | | 3,186,920 | 10,985,366 | 14,172,286 |
| **Reconciliations** | | | | |
| Carrying amount at beginning of year | | - | - | - |
| Purchased | | - | 8,432,116 | 8,432,116 |
| Acquisition through business combination | *24* | 3,112,145 | 2,553,250 | 5,665,395 |
| Amortisation | | - | - | - |
| Effect of movements in exchange rates | | 74,775 | - | 74,775 |
| Balance at the end of the year | | 3,186,920 | 10,985,366 | 14,172,286 |

### Impairment

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

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | Australia | USA | Australia | USA |
| | $ | $ | $ | $ |
| Goodwill | - | 3,186,920 | - | - |
| Trademarks | 8,432,116 | 2,553,250 | - | - |
| | 8,432,116 | 5,740,170 | - | - |

***Australia***

The Group acquired the trademark allocated to the Australia CGU on 30 June 2015 from a related party (refer note 27). The purchase price was based on its fair value (determined using the relief from royalty method) and accordingly, the recoverable amount of the trademark is considered to be equal to its carrying value at 30 June 2015.

***USA***

The recoverable amount of the CGU was based on its value in use, determined by discounting the future cash flows to be generated from the continuing use of the CGU. The carrying amount of the 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 cashflow projections over a five year period and include a terminal value at the end of year five. The cashflow projections over the five year period are based on the Group's budget for 2016 and year on year growth rates over the forecasted periods based on management's estimates of the impacts of underlying economic conditions, past performance and other factors on the CGU's financial performance. The long term growth rate used in calculating the terminal value is based long term inflation estimates for the country and industry in which the CGU operates.

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

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

| | 2015 | 2014 |
|---|---|---|
| | % | % |
| Discount rate – pre tax | 15.3% | - |
| Terminal value growth rate | 2.0% | - |
| Budgeted annual revenue growth rate p.a. | 5.0% | - |

## 18. Trade and other payables

| | 2015 | 2014 |
|---|---|---|
| | $ | $ |
| Trade payables | 707,191 | 289,438 |
| Trade payable to related parties (refer note 27) | 89,296 | - |
| Payables to related parties (refer note 27) | - | 63,953 |
| Other payables | 1,053,044 | 445,198 |
| | 1,849,531 | 798,589 |

Information about the Group's exposure to currency and liquidity risk is disclosed in Note 26.

## 19. Loans and borrowings

| | 2015 | 2014 |
|---|---|---|
| **Current** | | |
| Secured bank loans | 4,726,556 | - |
| Finance lease liability | 852,888 | 535,411 |
| | 5,579,444 | 535,411 |
| **Non-current** | | |
| Secured bank loans | 17,724,587 | - |
| Finance lease liability | 69,616 | 963,943 |
| | 17,794,203 | 963,943 |

## 19. Loans and borrowings (cont)

### Finance facilities

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

| | | | | 2015 | | 2014 | |
|---|---|---|---|---|---|---|---|
| Facility | Currency | Nominal interest rate | Maturity | Facility limit $ | Carrying amount $ | Facility limit $ | Carrying amount $ |
| Trade finance | AUD | Variable | - | 234,000 | - | 234,000 | - |
| Corporate credit card | AUD | Variable | - | 50,000 | - | 50,000 | - |
| Domestic foreign currency | GBP | LIBOR+ 2.25% | 2018 | 15,628,213 | 15,628,213 | - | - |
| Domestic foreign currency | USD | LIBOR+ 2.25% | 2018 | 6,822,930 | 6,822,930 | - | - |
| Commercial bill | AUD | BBSY+ 3.09% | 36 months after drawdown | - | - | 5,000,000 | - |
| Commercial bill | AUD | BBSY+ 3.09% | 30 months after drawdown | - | - | 4,000,000 | - |
| Finance lease | AUD | 5.4%-8.2% | 2015-2017 | 2,500,000 | 922,504 | 2,500,000 | 1,499,354 |
| Finance lease | AUD | - | - | 2,000,000 | - | - | - |
| | | | | 27,235,143 | 23,373,647 | 11,784,000 | 1,499,354 |

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 | |
|---|---|---|---|---|---|---|
| | 2015 $ | 2014 $ | 2015 $ | 2014 $ | 2015 $ | 2014 $ |
| Less than one year | 893,901 | 628,106 | 41,013 | 92,695 | 852,888 | 535,411 |
| Between one and five years | 71,672 | 1,009,884 | 2,056 | 45,941 | 69,616 | 963,943 |
| More than five years | - | - | - | - | - | - |
| | 965,573 | 1,637,990 | 43,069 | 138,636 | 922,504 | 1,499,354 |

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

## 20. Employee benefits

| | Note | 2015 $ | 2014 $ |
|---|---|---|---|
| **Current** | | | |
| Annual leave liability | | 727,048 | 364,166 |
| Long service leave liability | | 141,552 | 73,975 |
| | | 868,600 | 438,141 |
| **Non-current** | | | |
| Long service leave liability | | 115,960 | 119,056 |

During the year ended 30 June 2015, the Group contributed $480,789 (2014: $404,299) to defined contribution plans. These contributions are included in employee expenses in the statement of profit or loss and other compressive income.

## 21. Provisions

| **Warranties** | Note | 2015 | 2014 |
|---|---|---|---|
| Carrying amount at beginning of year | | - | - |
| Acquisition through business combination | *24* | 38,545 | - |
| Provisions made during the year | | 61,143 | - |
| Provisions used during the year | | - | - |
| Provisions reversed during the year | | - | - |
| Effect of movements in exchange rates | | - | - |
| Balance at the end of the year | | 99,688 | - |

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.

## 22. Capital and reserves

| | 2015 | | 2014 | |
|---|---|---|---|---|
| **Share capital** | **No. of shares** | **$** | **No. of shares** | **$** |
| *Ordinary shares* | | | | |
| Balance at beginning of year (i) | 965,000 | 1 | 965,000 | 1 |
| Issued for business combination (ii) | 35,000 | 2,553,250 | - | - |
| Balance at end of year | 1,000,000 | 2,553,251 | 965,000 | 1 |

### (i) Share subdivision

In March 2015, the Company subdivided its shares, with the existing 1 share split into 965,000 shares. Comparative information has been restated for the effect of the share split.

### (ii) Business combination

In March 2015, the Company issued 35,000 shares as partial consideration for a business combination, see note 24.

## 22. Capital and reserves (cont)

### Ordinary shares

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.

### Dividends

Dividends recognised in the current year by the Company are:

| 2015 | Dollars per share[1] $ | Total amount $ | Franked/ unfranked | Date of payment |
|---|---|---|---|---|
| Final 2015 ordinary | 13.78 | 13,300,000 | Franked | 31 March 2015 |
| Total amount | | 13,300,000 | | |
| **2014** | | | | |
| Final 2014 ordinary | 7.25 | 7,000,000 | Franked | 24 June 2014 |
| Total amount | | 7,000,000 | | |

[1] Dividends per share are stated post the impact of a 965,000 to 1 share split in March 2015

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

### Dividend franking account

| | 2015 | 2014 |
|---|---|---|
| 30 percent franking credits available to shareholders of PWR Holdings Pty Ltd | 27,090 | 391,520 |

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

## 23. Operating leases

| | 2015 $ | 2014 $ |
|---|---|---|
| Non-cancellable operating leases are payable as follows: | | |
| Less than one year | 1,438,180 | 644,052 |
| Between one and five years | 6,046,582 | - |
| More than five years | 6,188,293 | - |
| | 13,673,055 | 644,052 |

The Group leases its office and factory facilities under operating leases from related parties (refer note 27) as well as from non-related entities.

During the financial year ended 30 June 2015 $974,480 was recognised as an expense in the income statement in respect of operating leases (2014: $695,003).

## 24. Business combinations

On 27 March 2015 the Group acquired the business assets and undertakings of C&R Racing Inc. ("C&R Racing"), a manufacturer of cooling systems, specialised chassis components and drivetrain packages for professional motorsports in the USA.

The acquisition will enable the Group to expand its operations and pursue opportunities in the USA.

In the period 28 March 2015 to 30 June 2015, C&R Racing contributed revenue of $3.1 million and net loss after tax of $0.15 million to the Group's results. If the acquisition had occurred on 1 July 2014, management estimates that consolidated revenue would have been $41.5 million and consolidated profit for the year would have been $9.1 million. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the acquisition date would have been the same if the acquisition had occurred on 1 July 2014.

The following summarises the consideration transferred and recognised amounts of assets acquired and liabilities assumed at the acquisition date.

| **Consideration transferred** | **Note** | **2015 $** |
|---|---|---|
| Cash | | 6,894,615 |
| Equity instruments issued (35,000 ordinary shares) | *22* | 2,553,250 |
| | | 9,447,865 |

**Equity instruments issued**

The value ascribed to the ordinary shares issued was based on management's estimation of the fair value of the shares issued as at the acquisition date. The valuation approach was based on a capitalisation of forecast earnings adjusted for the size of the shareholding issued and the effect of the non-marketability of the Company's shares.

| **Identifiable assets acquired and liabilities assumed** | **2015 $** |
|---|---|
| Cash and cash equivalents | 520 |
| Trade receivables | 1,210,200 |
| Inventories | 2,780,792 |
| Property, plant and equipment | 1,194,089 |
| Deferred tax assets | 497,505 |
| Trademark | 2,553,250 |
| Trade and other payables | (1,391,899) |
| Employee entitlements | (255,872) |
| Finance lease liabilities | (252,865) |
| | 6,335,720 |

**Goodwill**

Goodwill was recognised as a result of the acquisition as follows.

| | |
|---|---|
| Total consideration transferred | 9,447,865 |
| Fair value of identifiable net assets | 6,335,720 |
| | 3,112,145 |

The goodwill is attributable mainly to the skills and technical talent of C&R Racing's workforce and the synergies expected to be achieved from integrating the business into the Group's existing operations. None of the goodwill is expected to be deductible for tax purposes.

## 24. Business combinations (cont)

### Fair values measured on a provisional basis

The fair values of the assets acquired and liabilities assumed have been measured on a provisional basis. If new information obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date identifies adjustments to the above amounts, or any additional provisions that existed at the acquisition date, then the accounting for the acquisition will be revised.

### Acquisition-related costs

The Group incurred acquisition-related costs of $100,000 related to external legal fees and due diligence costs. These costs have been included in "Professional Fees" in other expenses in the Group's consolidated statement of profit or loss and other comprehensive income.

## 25. Parent entity information

As at and throughout the financial year ended 30 June 2015, the parent and ultimate parent entity of the Group was PWR Holdings Pty Ltd.

| | 2015 | 2014 |
|---|---|---|
| **Statement of profit or loss and other comprehensive income** | $ | $ |
| Profit after income tax | 13,283,712 | 4,999,406 |
| **Total comprehensive income** | 13,283,712 | 4,999,406 |
| **Statement of financial position** | | |
| Total current assets | 52,214 | 52,972 |
| Total non-current assets | 13,811,170 | 112 |
| **Total assets** | 13,863,384 | 53,084 |
| Total current liabilities | 3,694 | 91,763 |
| Total non-current liabilities | 11,361,407 | - |
| **Total liabilities** | 11,365,101 | 91,763 |
| **Net assets** | 2,498,283 | (38,679) |
| **Equity** | | |
| Issued capital | 2,553,251 | 1 |
| Retained earnings | (54,968) | (38,680) |
| **Total equity** | 2,498,283 | (38,679) |

### Contingent liabilities

The parent entity is party to a cross guarantee and indemnity in relation to the Group's borrowing arrangements (refer note 19). The parent had no other contingent liabilities at 30 June 2015.

### Capital commitments

The parent entity had no capital commitments for property, plant and equipment at 30 June 2015.

### Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 3.

## 26. Financial instruments

### 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 management risk, and the Group's management of capital.

### Risk management framework

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

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

### Credit risk

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry and country in which customers operate. Further details of concentration of revenue are included in Note 5.

Management has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. Sale limits are established for each customer and reviewed regularly.

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 | 2015 | 2014 |
| | | $ | $ |
| Cash and cash equivalents | *11a* | 1,005,861 | 1,638,984 |
| Trade and other receivables | *12* | 4,314,617 | 2,748,573 |
| Derivative financial assets | *15* | 1,000,924 | - |
| | | 6,321,402 | 4,387,557 |

*Cash and cash equivalents*

The Group held cash and cash equivalents of $1,005,861 at 30 June 2015 (2014: $1,638,984), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with bank and financial institution counterparties, which are rated AA- to AA+, based on independent rating agency ratings.

## 26. Financial instruments (cont)

### Credit risk (cont)

*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.

*Derivative financial assets*

Derivatives are held with bank and financial institution counterparties, which are rated AA- to AA+, based on independent rating agency ratings.

***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 | |
|---|---|---|
| | **2015** | **2014** |
| | **$** | **$** |
| Australia | 2,467,678 | 792,032 |
| UK | 847,658 | 1,352,293 |
| USA | 999,281 | 604,248 |
| | 4,314,617 | 2,748,573 |

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

| | Carrying amount | |
|---|---|---|
| | **2015** | **2014** |
| | **$** | **$** |
| Not past due | 3,371,168 | 1,837,097 |
| Past due 1-30 days | 685,694 | 489,884 |
| Past due 31-60 days | 102,338 | 152,952 |
| Past due > 61 days | 155,417 | 268,640 |
| | 4,314,617 | 2,748,573 |

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 in the current or prior year.

Revenue from one major customer approximately 13.98% (2014: 15.14%) of the Group's total revenue and 5.9% (2014: 13.7%) of trade and other receivables.

### 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.

- $234,000 trade finance facility, see note 19.

## 26. Financial instruments (cont)

### Liquidity risk (cont)

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

| | | | Contractual cash flows | | | |
|---|---|---|---|---|---|---|
| **2015** | **Note** | **Carrying amount** | **Total** | **12 months** | **1-5 years** | **More than 5 years** |
| | | **$** | **$** | **$** | **$** | **$** |
| Trade and other payables | *18* | 1,849,531 | (1,849,531) | (1,849,531) | - | - |
| Finance lease liabilities | *19* | 922,504 | (965,573) | (893,901) | (71,672) | - |
| Secured bank loans | *19* | 22,451,143 | (23,925,297) | (5,277,339) | (18,647,958) | - |
| | | 25,223,178 | (26,740,401) | (8,020,771) | (18,719,630) | |
| **2014** | | | | | | |
| Trade and other payables | *18* | 798,589 | (798,589) | (798,589) | - | - |
| Finance lease liabilities | *19* | 1,499,354 | (1,637,990) | (628,106) | (1,009,884) | - |
| | | 2,297,943 | (2,436,579) | (1,426,695) | (1,009,884) | - |

### 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 sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Australian dollar (AUD), but also Pound Sterling (GBP) and US dollar (USD). The currencies in which these transactions are denominated are primarily AUD, GBP and USD.

Currency risks related to the principal amounts of the Group's GBP and USD bank loans, taken out by Group entities with an AUD functional currency, have been hedged using forward exchange contracts. Interest on the borrowings is denominated in the currency of the borrowing.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group's policy is to ensure that its net exposure is maintained to an acceptable level.

## 26. Financial instruments (cont)

**Market risk (cont)**

***Currency risk (cont)***

*Exposure to currency risk*

A summary of quantitative data about the Group's exposure to currency risk is as follows:

| | | 30 June 2015 | | | 30 June 2014 | | |
|---|---|---|---|---|---|---|---|
| | Note | AUD | GBP | USD | AUD | GBP | USD |
| Trade receivables | *12* | 116,487 | 900,282 | 2,149,112 | 189,940 | 1,379,508 | 1,160,130 |
| Trade payables | *18* | (299,094) | (98,883) | (309,214) | (206,352) | (21,623) | (61,463) |
| Secured bank loans | *19* | (922,504) | (15,628,213) | (6,822,930) | (1,489,354) | - | - |
| Net statement of financial position exposure | | (1,105,111) | (14,826,814) | (4,983,032) | (1,505,766) | 1,357,885 | 1,098,667 |
| Forward exchange contracts | | - | 14,805,676 | 7,182,032 | - | - | - |
| Net exposure | | (1,105,111) | (21,138) | 2,099,000 | (1,505,766) | 1,357,885 | 1,098,667 |

The following significant exchanges rate applied during the year:

| | Average rate | | Reporting date spot rate | |
|---|---|---|---|---|
| *AUD equivalent* | **2015** | **2014** | **2015** | **2014** |
| USD | 0.8375 | 0.9185 | 0.7658 | 0.9412 |
| GBP | 0.5307 | 0.5652 | 0.4863 | 0.5528 |

*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 2014, 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 2015** | **$** | **$** | **$** | **$** |
| GBP (10% movement) | 1,345 | (1,480) | 1,345 | (1,480) |
| USD (10% movement) | (139,936) | 153,930 | (139,936) | 153,930 |
| | | | | |
| **30 June 2014** | | | | |
| GBP (10% movement) | (86,411) | 95,052 | (86,411) | 95,052 |
| USD (10% movement) | (69,915) | 76,906 | (69,915) | 76,906 |

## 26. Financial instruments (cont)

### Market risk (cont)

*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 | |
|---|---|---|
| | 2015 | 2014 |
| **Fixed rate instruments** | $ | $ |
| Financial assets | - | - |
| Financial liabilities | (922,504) | (1,499,354) |
| | (922,504) | (1,499,354) |
| **Variable rate instruments** | | |
| Financial assets | 1,005,861 | 1,838,984 |
| Financial liabilities | (22,451,143) | - |
| | (21,445,282) | 1,838,984 |

*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 2015** | $ | $ | $ | $ |
| Variable rate instruments | (150,117) | 150,117 | (150,117) | 150,117 |
| Cash flow sensitivity (net) | (150,117) | 150,117 | (150,117) | 150,117 |
| **30 June 2014** | | | | |
| Variable rate instruments | 12,873 | (12,873) | 12,873 | (12,873) |
| Cash flow sensitivity (net) | 12,873 | (12,873) | 12,873 | (12,873) |

## 26. Financial instruments (cont)

### *Fair values*

The fair values of the Group's financial assets and liabilities approximate their carrying amounts recognised in the statement of financial position. The fair value of the derivative financial assets of $1,000,924 (30 June 2014: nil) was measured using valuation techniques based on observable market inputs and is considered to be Level 2 in the fair value hierarchy.

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level in the fair value hierarchy as follows:

- Level 1: the instrument has quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

### Capital management

The board's policy is to maintain a strong capital base so as to sustain future development of the business. The board of directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Group monitors capital using a debt to net profit before interest, tax, depreciation and amortisation ratio. The Group's policy is to keep the ratio below 2.00. The Group's debt to net profit before interest, tax, depreciation and amortisation ratio at the end of the reporting period was as follows.

| | 2015 | 2014 |
|---|---|---|
| | $ | $ |
| Total interest bearing debt | 23,373,647 | 1,499,354 |
| Net profit before interest, tax, depreciation and amortisation | 13,024,518 | 9,124,178 |
| Debt to net profit before interest, tax, depreciation and amortisation ratio | 1.79 | 0.16 |

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

## 27. Related parties

### Transactions with key management personnel

#### *Key management personnel compensation*

Key management personnel compensation comprised the following;

| | 2015 | 2014 |
|---|---|---|
| | $ | $ |
| Short-term employee benefits | 1,342,930 | 1,224,210 |
| Post-employment benefits | 73,339 | 63,761 |
| Other long term benefits | - | - |
| | 1,416,269 | 1,287,971 |

**27. Related parties (cont)**

**Transactions with key management personnel (cont)**

***Loans to or from key management personnel***

At 30 June 2015, the Group had no unsecured loans to or from director related entities (2014: liability of $63,953 which was included in "trade and other payables", see note 18). No interest is payable on the amounts outstanding and the loans are repayable in full 12 months after the issue date.

***Key management personnel and director transactions***

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 year | | Balance outstanding Receivable/(Payable) | |
|---|---|---|---|---|---|
| | | 2015 | 2014 | 2015 | 2014 |
| | | $ | $ | $ | $ |
| Redback Radiators Pty Ltd | Sales of goods (i) | 15,989 | 19,539 | 1,895 | 5,805 |
| Bayswater Road Radiators Pty Ltd | Sales of goods (i) | 69,964 | 52,491 | 2,744 | 4,786 |
| Innotherm Pty Ltd | Sales of goods (i) | 3,537 | 3,560 | - | 1,804 |
| Redback Radiators Pty Ltd | Administrative services (ii) | 60,000 | 60,000 | 5,500 | 5,500 |
| Innotherm Pty Ltd | Administrative services (ii) | 12,000 | 12,000 | 1,100 | 1,100 |
| Redback Radiators Pty Ltd | Sales of assets (i) | 66,745 | - | - | - |
| PWR Property Holdings Pty Ltd | Property rent (iii) | 746,019 | 625,296 | (75,061) | - |
| Burton Properties Ltd | Property rent (iv) | 27,912 | 25,541 | - | - |
| Paulsen Properties LLC | Property rent (iv) | 83,574 | - | - | - |
| JG Parker Properties LLC | Property rent (iv) | 33,463 | - | - | - |
| Redback Radiators Pty Ltd | Purchase of products (v) | 91,927 | 42,777 | (14,235) | - |
| PWR IP Trust | Royalty fees (vi) | - | 1,042,249 | - | - |
| PWR IP Trust | Purchase of trademark (vii) | 8,432,116 | - | - | - |

## 27. Related parties (cont)

***Key management personnel and director transactions (cont)***

(i) Entities associated with the directors purchased goods and/or assets from the Group.
(ii) The Group provided certain administrative services to entities associated with the directors.
(iii) The Group leased its Australian head office and factory facilities from an entity associated with the directors.
(iv) The Group leased its UK and USA office and factory facilities from entities associated with certain key management personnel.
(v) The Group purchased products from entities associated with the directors.
(vi) The Group paid royalty fees to an entity associated with the directors.
(vii) The Group acquired a trademark from an entity associated with the directors. The purchase price was based on the fair value of the trademark determined using the relief from royalty method.

## 28. Group entities

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

| | | Ownership interest | |
|---|---|---|---|
| | **Country of incorporation** | **2015 %** | **2014 %** |
| PWR Performance Products Pty Ltd | Australia | 100 | 100 |
| PWR UK Holdings Pty Ltd | Australia | 100 | 100 |
| PWR USA Holdings Pty Ltd | Australia | 100 | 100 |
| PWR IP Pty Ltd | Australia | 100 | - |
| PWR Europe Limited | UK | 100 | 100 |
| PWR USA Inc | USA | 100 | 100 |
| C&R Racing Inc | USA | 100 | - |

## 29. Auditors' Remuneration

| | **2015 $** | **2014 $** |
|---|---|---|
| **Audit services** | | |
| Auditors of the Group | | |
| *KPMG* | | |
| Audit of financial reports | 129,276 | 30,000 |
| *Accountability GB* | | |
| Audit of financial reports | 13,190 | 11,943 |
| **Other services** | | |
| Auditors of the Group | | |
| *KPMG* | - | - |
| *Accountability GB* | | |
| Taxation Services | 1,837 | 416 |

## 30. Commitments

At 30 June 2015, the Group had agreed to purchase plant and equipment for $723,000 (2014: nil).

## 31. Earnings per share

| | 2015 $ | 2014 $ |
|---|---|---|
| Basic and diluted earnings per share | 9.15 | 6.05 |

***Profit attributable to ordinary shareholders***

The calculation of both basic and diluted earnings per share were based on profit attributable to equity holders of the Company of $8,909,175 (2014: $5,842,717).

***Weighted average number of ordinary shares***

| | 2015 No. | 2014 No. |
|---|---|---|
| Issued ordinary shares at 1 July (post share split – refer note 22) | 965,000 | 965,000 |
| Effect of shares issued in March 2015 | 8,918 | - |
| Weighted number of ordinary shares at 30 June | 973,918 | 965,000 |

The Group has not issued any equity instruments or potential equity instruments which are considered to be dilutive.

## 32. Subsequent events

On 7 August, Robert Edward Thorn and Jeffrey Ian Forbes were appointed directors of the Company and Lisa Dalton was appointed Company Secretary.

Other than the matters 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.

# PWR Holdings Pty Ltd
# and its controlled entities
# Directors' declaration
# For the year ended 30 June 2015

## Directors' declaration

In the opinion of the directors of PWR Holdings Pty Ltd (the "Company"):

(a) the consolidated financial statements and notes, set out on pages 6 to 42 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 2015 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) the financial report also complies with the International Financial Reporting Standards as disclosed in note 2(a); and

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors.

Kees Weel
Director
Dated at Brisbane this 28th day of August 2015

## Independent auditor's report to the members of PWR Holdings Pty Ltd

We have audited the accompanying financial report of PWR Holdings Pty Ltd (the company), which comprises the consolidated statement of financial position as at 30 June 2015, and the 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 ended on that date, notes 1 to 32 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

*Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

*Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

*Auditor's opinion*

In our opinion:

(a) the financial report of the Group is 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 2015 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

KPMG

KPMG

Jason Adams
Partner

Brisbane
28 August 2015