



PWR Holdings Limited ABN 85 105 326 850

ANNUAL REPORT

2017



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PWR Holdings Limited ABN 85 105 326 850 (PWR, Company, Group, we, our) was listed on the Australian Securities Exchange on 18 November 2015. This review is for the year ended 30 June 2017 with comparison against the previous corresponding period ended 30 June 2016 (previous year or previous period). All reference to \$ is a reference to Australian dollars unless otherwise stated. Individual items totals and percentages are rounded to the nearest approximate number or decimal. Some totals may not add down the page due to rounding.



The refreshed PWR logo on the front cover reflects that PWR is an advanced cooling technology company. Our cooling technology is used in most motorsports series around the world including Formula 1®, NASCAR™ and World Rally Championship as well as the automotive aftermarket in Australia and USA. We supply bespoke cooling technology in emerging markets such as electric vehicles and battery cooling. Our technology sets us apart from our competition and provides clear growth opportunities.



SHAREHOLDER INFORMATION

DATE	EVENT
5 September 2017	Record date for 2017 final dividend
4 September 2017	Ex-dividend date for 2017 final dividend
15 September 2017	Payment of 2017 final dividend
20 October 2017	2017 Annual General Meeting
31 December 2017	2018 Half year-end
23 February 2018*	2018 Half year results and investor presentation
06 April 2018*	Proposed record date of 2018 interim dividend
30 June 2018	2018 Full year-end
24 August 2017*	2018 Annual results and investor presentation

2017 ANNUAL GENERAL MEETING

The details of the 2017 Annual General Meeting for PWR Holdings Limited are:

10am (Brisbane time) on
Friday 20 October 2017

OFFICES OF CORRS CHAMBERS WESTGARTH

Level 42 One One One Eagle
111 Eagle Street
Brisbane QLD 4000

PRINCIPAL REGISTERED OFFICE

PWR HOLDINGS LIMITED
103 Lahrs Road
Ormeau, 4208 Queensland

LOCATION OF SHARE REGISTRY

COMPUTERSHARE INVESTOR SERVICES PTY LTD
117 Victoria Street
West End, 4101 Queensland

* Indicative only, subject to change.

CHAIRMAN'S LETTER

FY2017 has delivered solid revenue growth¹ in PWR's key motorsports markets whilst laying down the base for future growth and expansion through the building of a second aluminium heat exchanger core production line at our USA subsidiary in Indianapolis. We are confident that PWR is well placed to continue its revenue growth for future years which will convert into growing profitability.

On behalf of the Board, I am pleased to present to you, PWR's 2017 Annual Report.

In its first full financial year as a listed company, PWR has increased its revenue, primarily from PWR's key motorsports market and has established a strategic platform for future growth. PWR expanded its production capability at its Indianapolis factory and has made significant investments in the development of next generation cooling technology and in the capability of its engineering and production people and plant.

Just prior to listing, PWR acquired C&R Racing Inc., based in Indianapolis. In FY 2017 as part of its technology and growth strategy, PWR installed a new aluminium heat exchanger core production line at C&R, which was commissioned in mid-August 2017. Ramping up production at C&R by installing the core production line was a strategic decision aimed at reducing equipment risk at the PWR Brisbane facility in Australia, and enabling PWR Brisbane to focus on next generation cooling cores. Increasing the production capability in Indianapolis to deliver Original Equipment Manufacturer (OEM) programs, also reduces PWR's USD currency risk.

The Net Profit After Tax for FY2017 of \$9.3 million was driven by a very strong second half aligned to the seasonal activity in the motorsports industry, but has continued to be affected by unfavourable exchange rates. PWR has maintained its strong balance sheet with zero net debt and \$9 million in cash at 30 June 2017, which has enabled the Board to increase the dividend payout ratio to 60% of full year NPAT. The Board has declared a final dividend for FY2017 of 4.7 cents per share, taking the full year dividend up to 5.6 cents per share.

PWR's staff worldwide have worked hard to deliver value to shareholders. The Board acknowledges PWR's strong leadership and its DNA of Passion, Winning and Results. Thank you to our passionate employees.

Bob Thorn retired as Chairman during the year due to a change in personal circumstances. I would like to acknowledge his contribution to the listing process and to our evolution into a listed company. Roland Dane joined the Board in March 2017; his industry knowledge and business acumen has already made a significant contribution to the PWR Board.

You will see a refreshed PWR logo on the front cover. Whilst embodying the familiar PWR ellipse that is recognised around the world as a sign of cooling excellence, it now incorporates the tagline of Advanced Cooling Technology. At its heart, PWR is a business based on innovative and leading edge technology and manufacturing capability. It is important that PWR's brand reflects this position. PWR is also focused on actively protecting its intellectual property rights in its technology and processes.

On behalf of the Board, I would like to thank you, our shareholders, for your ongoing support of the PWR business.



Teresa Handicott
Chairman

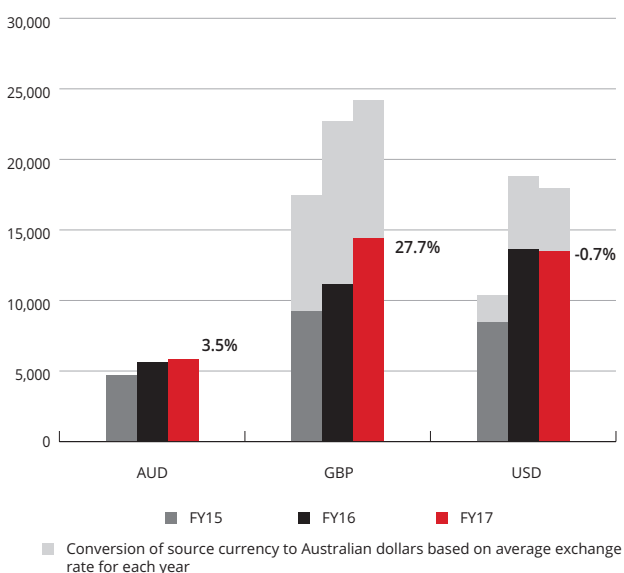
¹ Constant currency organic revenue growth

MANAGING DIRECTOR'S REPORT

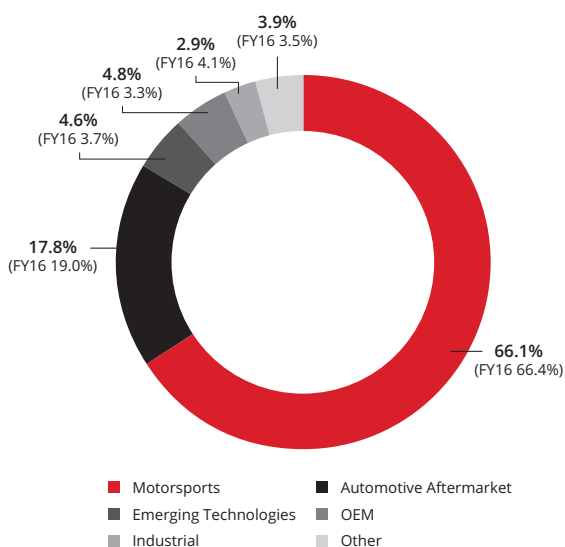
OVERVIEW

We are pleased to report that PWR has delivered a solid result for FY2017, reporting NPAT of \$9.3 million. This result was driven by a combination of strong organic growth in the Great British Pound (GBP) denominated sales of over 27% through increased penetration into many of our key markets. The key driver of PWR's long term revenue and earnings has been consistently strong growth in UK and European motorsports sales, with FY2017 being no exception.

Revenue by Currency



FY17 category sales analysis¹



1 Additional sales categories reported compared to FY16

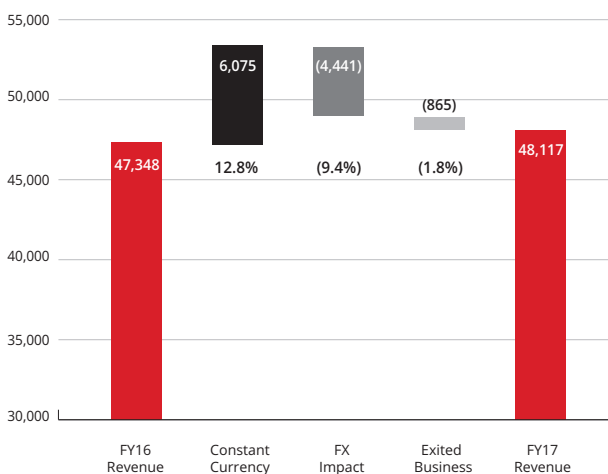
FINANCIALS

The FY2017 NPAT of \$9.3 million represents a decrease of 13.8% from the Pro Forma 2016 NPAT of \$10.8 million which excludes costs incurred in the Group's IPO in 2015¹, however it is higher than the Statutory FY2016 NPAT of \$8.7 million.

PWR achieved revenue of \$48.1 million, which is up by 1.6% on FY2016 despite the appreciation of AUD against GBP of 20.9% and against the United States dollar (USD) of 3.4% on average compared to FY2016. The revenue bridge below shows the organic revenue growth from FY2016 to FY2017 in underlying currencies being 12.8% but with this growth being offset by a negative 9.4% impact from the movement between AUD and the underlying currencies over the same period.

Consolidated Revenue Bridge

FY16 to FY17^{2,3,4}



Australian costs of production increased to deliver the GBP sales growth resulting in Group EBITDA⁵ reducing from \$16.9 million in FY2016 to \$14.7 million in FY2017. To put it simply, the exchange rate movements meant that we had to do more work to produce the same amount of AUD equivalent sales.

- 1 Pro Forma adjustments in FY16 relate to IPO costs (\$2.7 million before tax) and interest costs (\$0.2 million before tax) associated with bank facilities repaid from IPO proceeds
- 2 Constant currency organic revenue growth is FY17 sales less FY16 sales at average FY17 exchange rates
- 3 FX impact is FY16 sales adjusted for exchange rate movement from FY16 to FY17
- 4 Exited business line – refer discussion in PWR Australia and Europe section
- 5 Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") is a non-IFRS term which has not been subject to audit or review but has been determined using information presented in the Group's financial report.

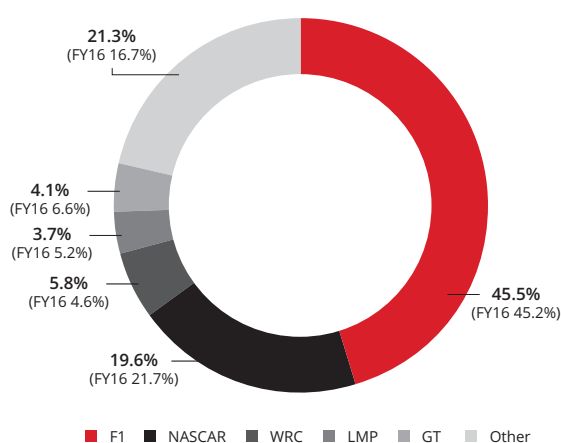
MANAGING DIRECTOR'S REPORT

continued

PWR AUSTRALIA AND EUROPE

PWR has been supplying motorsports with cooling technology since 1998. In FY2017 motorsports represented 66% of Group revenue with strong organic growth in our key UK/Europe markets. Our exposure in top level motorsports series such as Formula 1®, NASCAR™, WRC, Formula E, SuperGT (Japan) and Supercars keeps pushing the development of our cooling technology.

Motorsport Revenue by Category



Our growth in motorsports comes from new customers using PWR, increasing number of cooling requirements of existing customers, increasing take-up of PWR products by existing customers and customers moving to higher technology solutions. Our motorsports relationships with auto manufacturers such as Audi, Hyundai, Ferrari, Porsche, Toyota, and VW provide exposure of PWR technology and manufacturing capability to a wide range of influencers.

During the year, PWR discontinued supply to a high volume, lower margin customer in USA as part of aligning our resources to the best net outcome. This has freed up significant furnace time at the PWR Australian production facility with minimal impact on EBITDA.

The PWR business model has focussed on low volume, high technology and higher margin products. The addition of the new aluminium heat exchanger core production facility at C&R will allow PWR to use its Australian facilities to maintain its focus in this area.

C&R

The acquisition of C&R in 2015 was to provide PWR with a better footprint and traction in USA markets. This is slowly proving itself evidenced by OEM contracts that C&R have been nominated on as supplier of cooling parts. Management has been reshaping the C&R business to deliver profitable growth. In FY2017 management has:

1. Reviewed and decided to divest the C&R business at Mooresville, which is primarily the rental of drivetrain and other non-cooling related motorsports products;
2. Discontinued supplying two customers from C&R Indianapolis for non-cooling products. These products consumed significant time from our CNC machines which will now be redirected to cooling related work such as billet tanking;
3. Built a new aluminium heat exchanger core production line at Indianapolis. This is to increase our overall production capacity plus to allow C&R to focus on higher volume production runs such as some of the niche OEM programs we have announced; and
4. Increased management strength through the appointment of Jim Ryder as General Manager USA. Jim has a strong history in motorsports cooling as well as considerable OEM experience.

Whilst the proposed divestment of C&R Mooresville based business plus discontinued lines will reduce revenue at C&R by approximately US\$1.7 million per annum moving forward, the forecast reduction in EBITDA is limited at US\$0.2 million. This will align our resources into more profitable cooling opportunities in motorsports, OEM programs and emerging technologies consistent with PWR's concentration on cooling technology and its trading margin capability.

OEM PROGRAMS*

PWR has been selected as a cooling assembly supplier on two OEM programs in North America which will contribute significant revenue in future years. PWR has also received nomination for an OEM program in UK/Europe. Additionally PWR is in the prototyping or development phase with other programs that may develop into supply programs.

The strong engineering relationships that PWR have with many automotive manufacturers through motorsports and other advanced cooling projects provides PWR with opportunities in niche OEM programs.

* Future revenue from OEM programs is dependent on many factors such as success of the vehicle sales, timing of production, specification changes and order rate of product from the manufacturer.

MANAGING DIRECTOR'S REPORT

continued

RESOURCES

FY2017 has been a year of investment into resources for the Group. We have increased our engineering and production headcount by 19.6%. We have increased the capacity of our machine shops with two new CNC machines, primarily to deal with the increased business from providing billet tanks as part of our technology offering. The new C&R core production line also expands our production capacity.

The Group is committed to ensuring it has sufficient resources to take advantage of future opportunities which is part of our being "resource ready" philosophy.

CASH FLOW

The Group generated cash from operating activities for FY2017 of \$13.5 million which is reflected in our year end cash position of \$9 million. The Group has consistently shown strong cash generation with the conversion of EBITDA to operating cash being over 90%.

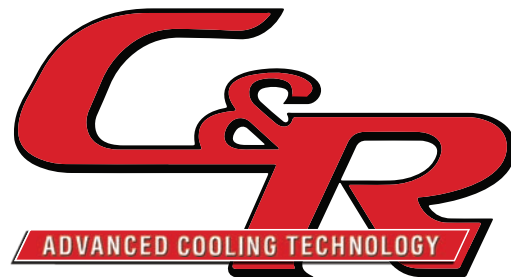
OUTLOOK

We see continuing growth in UK/Europe motorsports sales including opportunities in MotoGP and Formula E over the coming year plus have specific OEM programs coming on line over the next few years. Aftermarket sales in USA should benefit from having the core production localised at C&R. Electric vehicles in the emerging technology sector are evolving into a market where the combination of PWR's R&D capacity, flexible manufacturing and testing capability suits demand for low run production.

PWR is continuing to develop its cooling technologies and expects to be able to introduce its next generation cooling cores during the coming year.

The continuing imbalance between our GBP revenue to AUD production costs means exchange rate volatility will continue to affect results.

PWR continues to be presented with new opportunities and we believe that these will continue to drive revenue and profit growth into the future.



FINANCIAL REPORT

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DIRECTORS' REPORT

For the year ended 30 June 2017

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

1. DIRECTORS

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

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

DIRECTORS' REPORT

For the year ended 30 June 2017

1. DIRECTORS (CONTINUED)

Director	Experience
<p>Jeffrey Forbes <i>Independent, Non-Executive Director</i> <i>Appointed 7 August 2015</i> <i>Chairman of Audit and Risk Committee</i> <i>Member of Nomination and Remuneration Committee</i></p>	<p>Jeff has 35 years' experience in senior finance and management roles with extensive mergers and acquisitions experience. Jeff retired in March 2013 as Chief Financial Officer, Executive Director and Company Secretary of Cardno, an ASX-listed engineering consultancy company. Prior to joining Cardno, Jeff was Chief Financial Officer and Executive Director at Highlands Pacific and has previously held senior finance roles in the resources sector.</p> <p>Jeff holds a Bachelor of Commerce from the University of Newcastle and is a Graduate of the Australian Institute of Company Directors.</p> <p>Jeff is a Non-Executive Director of Cardno and Chairman of Herron Todd White Australia and Herron Todd White Consolidated. Jeff also sits on the board of not-for-profit Horizon Housing Group and the AFSL company, Australian Affordable Housing.</p>
Year of next scheduled re-election	2018
Current directorships of listed entities	Cardno Limited (appointed 27 January 2016)
Directorships of listed entities over last 3 years	CMI Limited (10 April 2014 to 29 February 2016) Affinity Education Group Limited (6 November 2013 to 15 December 2015) Exoma Energy Limited (1 July 2014 to 27 February 2015) Talon Petroleum Limited (4 April 2013 to 3 November 2014)
<p>Kees Weel <i>Managing Director and Chief Executive Officer</i> <i>Appointed 30 June 2003</i></p>	<p>Kees has in excess of 30 years of experience in the automotive cooling industry. He is a key relationship and business development manager for top tier local and overseas customers. Kees also actively leads the product development management team.</p> <p>Kees was a team principal of PWR Racing V8 Super Car Team 1998-2007 and was a board member for Tega V8 Supercars in 2007.</p>
Year of next scheduled re-election	Not applicable
Current directorships of listed entities	Nil
Directorships of listed entities over last 3 years	Nil
<p>Roland Dane <i>Independent, Non-Executive Director</i> <i>Appointed 1 March 2017</i> <i>Member of Audit and Risk Committee</i> <i>Member of Nomination and Remuneration Committee</i></p>	<p>Roland has extensive automotive business experience in the UK and Australia. Roland was the founder of the Park Lane (UK) vehicle acquisition business in the UK some 30 years ago. He is an owner of the highly successful Triple Eight Race Engineering which has won 8 out of the last 10 Supercars championships.</p>
Year of next scheduled re-election	2017
Current directorships of listed entities	Nil
Directorships of listed entities over last 3 years	Nil

DIRECTORS' REPORT

For the year ended 30 June 2017

1. DIRECTORS (CONTINUED)

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

2. COMPANY SECRETARY

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

3. DIRECTORS' MEETINGS

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

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

4. PRINCIPAL ACTIVITIES

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

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

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

DIRECTORS' REPORT

For the year ended 30 June 2017

5. OPERATING AND FINANCIAL REVIEW

Summary of financial results

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

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

Revenue

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

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

EBITDA

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

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

Net profit after tax

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

Operating cash flow

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

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

DIRECTORS' REPORT

For the year ended 30 June 2017

5. OPERATING AND FINANCIAL REVIEW (CONTINUED)

Foreign currency

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

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

Review of operating segments

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

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

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

Review of principal businesses

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

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

DIRECTORS' REPORT

For the year ended 30 June 2017

5. OPERATING AND FINANCIAL REVIEW (CONTINUED)

Balance sheet management

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

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

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

Business risks

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

Strategic	<ul style="list-style-type: none"> - Loss of key management personnel - Damage to or dilution of PWR brand or market position
Operational	<ul style="list-style-type: none"> - Loss of critical supply inputs or infrastructure - Loss of intellectual property rights - Loss of data security and integrity
Financial	<ul style="list-style-type: none"> - Currency volatility

Significant changes in the state of affairs

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

6. DIVIDENDS

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

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

Declared after end of year

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

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

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

DIRECTORS' REPORT

For the year ended 30 June 2017

7. LIKELY DEVELOPMENTS

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

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

8. EVENTS SUBSEQUENT TO REPORTING DATE

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

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

9. DEED OF CROSS GUARANTEE

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

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

10. ENVIRONMENTAL REGULATION

The Group is not subject to any significant environmental regulations.

11. INDEMNIFICATION AND INSURANCE OF OFFICERS

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

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

12. PROCEEDINGS ON BEHALF OF THE COMPANY

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

13. NON-AUDIT SERVICES

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

14. LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 24 and forms part of the directors' report for the financial year ended 30 June 2017.

15. DIRECTORS INTERESTS

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

DIRECTORS' REPORT

For the year ended 30 June 2017

16. REMUNERATION REPORT – AUDITED

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

A. Key Management Personnel

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

KMP consist of:

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

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

Key Management Personnel during the Reporting Period

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

DIRECTORS' REPORT

For the year ended 30 June 2017

16. REMUNERATION REPORT – AUDITED (CONTINUED)

B. Remuneration Governance

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

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

C. Non-Executive Director Remuneration

C1. Policy

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

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

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

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

C2. Remuneration of Non-Executive Directors during Reporting Period

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

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

DIRECTORS' REPORT

For the year ended 30 June 2017

16. REMUNERATION REPORT – AUDITED (CONTINUED)

D. Executive Director and Senior Executive Remuneration

D1. Remuneration policy for senior executives

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

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

The remuneration framework for senior executives comprises two elements:

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

D1.1 Fixed remuneration

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

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

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

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

D1.2 Performance linked remuneration

Short-term incentive plan

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

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

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

DIRECTORS' REPORT

For the year ended 30 June 2017

16. REMUNERATION REPORT – AUDITED (CONTINUED)

Analysis of cash bonuses included in remuneration

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

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

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

Long-term incentive plan

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

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

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

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

TSR Ranking (50%)		EPS Growth (50%)	
The percentage of Performance Rights linked to TSR will be 50%. TSR is calculated by an independent third party, comparing the TSR percentile rank that the Company holds relative to all S&P ASX 300 constituent companies (excluding Energy sector (oil, gas and coal)) for the relevant 3-year Performance Period.		The percentage of the Performance Rights linked to the EPS hurdle will be 50%. Vesting is determined by the growth in EPS from the financial year immediately prior to the start of the Performance Period (base year) to the end of the third year of the Performance Period, measured against specific EPS targets outlined below.	
TSR Ranking	Vesting outcome	EPS	Vesting outcome
TSR is 50% or less	Nil vesting	EPS growth is 4% or less	Nil vesting
TSR is more than 50% but less than 75%	Rateable vesting between 20% and 99%	EPS growth is more than 4% but less than 12%	Rateable vesting between 50% and 99%
TSR is 75% or more	100% vesting	EPS growth is 12% or more	100% vesting

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

DIRECTORS' REPORT

For the year ended 30 June 2017

16. REMUNERATION REPORT – AUDITED (CONTINUED)

E. Company performance and remuneration outcomes

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

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

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

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

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

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

F. Contract duration and termination requirements

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

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

DIRECTORS' REPORT

For the year ended 30 June 2017

16. REMUNERATION REPORT – AUDITED (CONTINUED)

G. Key Management Personnel Remuneration

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

Name	Year	Short-term benefits			Total	Post Employment Benefits			Long-term benefits			Share-based payments		Proportion of remuneration performance related %	
		Cash salary & fees \$	Cash Bonus \$	Non-cash benefits \$		Super benefits \$	Termination benefits \$	Long service leave \$	Performance rights \$	Share-based payments \$	Performance rights \$	Total \$			
Non-executive Directors															
Current															
Jeff Forbes ⁽ⁱ⁾	2017	105,023	-	-	105,023	-	-	-	-	-	-	-	-	115,000	-
Non-Executive Director	2016	87,519	-	-	87,519	-	-	-	-	-	-	-	-	95,833	-
Teresa Handicott ⁽ⁱⁱ⁾	2017	114,941	-	-	114,941	-	-	-	-	-	-	-	-	125,860	-
Interim Chairman	2016	78,767	-	-	78,767	-	-	-	-	-	-	-	-	86,250	-
Non-Executive Director	2017	31,667	-	-	31,667	-	-	-	-	-	-	-	-	31,667	-
Roland Dane ⁽ⁱⁱⁱ⁾	2016	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-Executive Director															
Former															
Bob Thorn ^(iv)	2017	152,207	-	-	152,207	14,460	-	-	14,460	-	-	-	-	166,667	-
Chairman, Non-Executive Director	2016	212,900	-	-	212,900	16,267	-	-	16,267	-	-	-	-	229,167	-
	2017	403,838	-	-	403,838	35,356	-	-	35,356	-	-	-	-	439,194	-
Total - Non-Executive Directors' Remuneration	2016	379,186	-	-	379,186	32,064	-	-	32,064	-	-	-	-	411,250	-

DIRECTORS' REPORT

For the year ended 30 June 2017

16. REMUNERATION REPORT – AUDITED (CONTINUED)

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

(i) Appointed 7 August 2015. Prior to his appointment as Director, consulting fees of \$17,500 were paid to Jeff Forbes for his assistance with the IPO process. These consulting fees are not included in the amounts above.

(ii) Appointed 1 October 2015 as Non-Executive Director and 3 March 2017 as Interim Chairman.

(iii) Appointed 1 March 2017.

(iv) Appointed 7 August 2015, resigned 3 March 2017. Prior to his appointment as Director, consulting fees of \$20,833 were paid to Bob Thorn for his assistance with the IPO process. These consulting fees are not included in the amounts above.

(v) Appointed 1 January 2017.

(vi) Chris Jaynes was appointed General Manager, USA on 25 January 2016 and is remunerated in USD. Remuneration has been converted to AUD using the average annual exchange rate. Chris Jaynes resigned on 31 July 2017.

(vii) Appointed 19 April 2016, ceased employment on 28 October 2016.

(viii) Resigned as Executive Director 7 August 2015. No longer considered KMP from 1 June 2016. Paul Weel did not participate in the short term incentive plan.

(ix) Chris Paulsen was General Manager USA from 27 March 2015 to 25 January 2016 and was remunerated in USD. Remuneration has been converted to AUD using the average annual exchange rate. Chris Paulsen did not participate in the short term incentive plan.

DIRECTORS' REPORT

For the year ended 30 June 2017

16. REMUNERATION REPORT – AUDITED (CONTINUED)

H. Share holdings of Key Management Personnel

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

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

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

(ii) Shares held prior to appointment as KMP.

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

(iv) Shares subject to escrow until 31 August 2017.

DIRECTORS' REPORT

For the year ended 30 June 2017

16. REMUNERATION REPORT – AUDITED (CONTINUED)

I. Options over equity instruments granted as remuneration

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

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

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

J. Remuneration consultants

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

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

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

L. Key management personnel transactions

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

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

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

This report is made with a resolution of the directors:



Teresa Handicott
Interim Chairman

Dated at Brisbane, this 24th day of August 2017.



Kees Weel
Managing Director

Dated at Brisbane, this 24th day of August 2017.

LEAD AUDITORS INDEPENDENCE DECLARATION

For the year ended 30 June 2017



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

To the directors of PWR Holdings Limited

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

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

A handwritten signature in blue ink that reads 'KPMG'.

KPMG

A handwritten signature in blue ink that reads 'Jason Adams'.

Jason Adams
Partner

Brisbane
24 August 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2017

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2017

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2017

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

SECTION A: ABOUT THIS REPORT

A1 Reporting entity

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

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

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

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

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

A2 Basis of preparation

(a) Statement of compliance

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

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

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of the entities within the Group. Actual results may differ from these estimates.

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

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

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

A3 Significant accounting policies

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

A4 Foreign currency transactions and operations

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

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

Foreign currency differences are generally recognised in profit or loss.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

SECTION A: ABOUT THIS REPORT (CONTINUED)

A5 Determination of fair values

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

Non-derivative financial liabilities

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

Derivative financial instruments

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

SECTION B: BUSINESS PERFORMANCE

B1 Operating segments

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

Intersegment pricing is determined based on cost plus margin.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

SECTION B: BUSINESS PERFORMANCE (CONTINUED)

Geographic information

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

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

(i) Excluding deferred tax assets.

B2 Revenue and other income

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

Recognition and measurement

Sale of goods

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

Rendering of services

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

SECTION B: BUSINESS PERFORMANCE (CONTINUED)

B3 Expenses

Significant items

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

B4 Finance income and expense

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

Recognition and measurement

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

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

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

B5 Earnings per share

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

Profit attributable to ordinary shareholders

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

SECTION C: OPERATING ASSETS AND LIABILITIES

C1 Cash and cash equivalents

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

Reconciliation of cash flows from operating activities

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

C2 Trade and other receivables

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

Recognition and measurement

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

C3 Inventories

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

SECTION C: OPERATING ASSETS AND LIABILITIES (CONTINUED)

Recognition and measurement

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

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

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

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

C4 Assets held for sale

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

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

	2017 \$	2016 \$
Inventories	853,262	–
Property, plant and equipment	207,915	–
	1,061,177	–

C5 Other assets

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

C6 Property, plant and equipment

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

SECTION C: OPERATING ASSETS AND LIABILITIES (CONTINUED)

Reconciliations

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

SECTION C: OPERATING ASSETS AND LIABILITIES (CONTINUED)

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.

Depreciation

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

The estimated useful lives are as follows:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

SECTION C: OPERATING ASSETS AND LIABILITIES (CONTINUED)

C7 Intangible assets

	Note	Goodwill	Trademarks	Total
2017				
Cost		3,143,692	10,985,366	14,129,058
Accumulated amortisation		-	-	-
		3,143,692	10,985,366	14,129,058
2016				
Cost		3,188,984	10,985,366	14,174,350
Accumulated amortisation		-	-	-
		3,188,984	10,985,366	14,174,350
Reconciliations				
2017				
Carrying amount at beginning of year		3,188,984	10,985,366	14,174,350
Amortisation		-	-	-
Effect of movements in exchange rates		(45,292)	-	(45,292)
Balance at the end of the year		3,143,692	10,985,366	12,129,058
2016				
Carrying amount at beginning of year		3,140,525	10,985,366	14,125,891
Amortisation		-	-	-
Effect of movements in exchange rates		48,459	-	48,459
Balance at the end of the year		3,188,984	10,985,366	14,174,350

Recognition and measurement

Goodwill

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

Trademarks

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

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

Impairment

Non-financial assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

SECTION C: OPERATING ASSETS AND LIABILITIES (CONTINUED)

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.

Impairment

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

SECTION C: OPERATING ASSETS AND LIABILITIES (CONTINUED)

C8 Trade and other payables

Trade and other payables are carried at amortised cost.

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

Recognition and measurement

Trade and other payables are carried at amortised cost.

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

C9 Provisions

Warranties

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

Recognition and measurement

Warranties

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

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

SECTION D: EMPLOYEE BENEFITS

D1 Employee benefits

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

SECTION D: EMPLOYEE BENEFITS (CONTINUED)

Recognition and measurement

Short-term employee benefits

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

Long-term employee benefits

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

Share based payment transactions

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

Termination benefits

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

Defined contribution funds

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

D2 Key management personnel compensation

Key management personnel compensation comprised the following:

	2017 \$	2016 \$
Short-term employee benefits	1,682,604	1,999,761
Termination benefits	191,996	–
Post-employment benefits	139,751	130,218
Share based payments	48,939	–
Other long term benefits	9,491	23,410
	2,072,781	2,153,389

D3 Share based payments

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

SECTION D: EMPLOYEE BENEFITS (CONTINUED)

Measurement of fair values

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

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

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

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

SECTION E: TAXATION

E1 Income tax expense

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

SECTION E: TAXATION (CONTINUED)

Recognition and measurement

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

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

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

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve 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.

E2 Tax assets and liabilities

Current tax assets and liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

SECTION E: TAXATION (CONTINUED)

Movement in deferred tax balances

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

SECTION F: CAPITAL STRUCTURE AND BORROWINGS

F1 Loans and borrowings

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

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

Finance facilities

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

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

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

Finance leases

Finance lease liabilities are payable as follows:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

SECTION F: CAPITAL STRUCTURE AND BORROWINGS (CONTINUED)

Recognition and measurement

Non-derivative financial liabilities

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

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

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

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

Derivative financial instruments

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

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

F2 Capital and reserves

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

(i) Share subdivision

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

(ii) Initial public offering

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

SECTION F: CAPITAL STRUCTURE AND BORROWINGS (CONTINUED)

Capital management

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

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

Recognition and measurement

Ordinary shares

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

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

Foreign currency translation reserve

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

Share based payments reserve

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

F3 Dividends

Dividends recognised in the current year by the Company are:

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

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

Dividend franking account

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

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

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

Recognition and measurement

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

SECTION F: CAPITAL STRUCTURE AND BORROWINGS (CONTINUED)

F4 Commitments

Operating leases

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

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

Recognition and measurement

Leased assets

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

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

Lease payments

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

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

Other commitments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

SECTION G: GROUP STRUCTURE

G1 Parent entity information

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

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

Contingent liabilities

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

Capital commitments

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

Significant accounting policies

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

G2 Controlled entities

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

SECTION G: GROUP STRUCTURE (CONTINUED)

G3 Deed of cross guarantee

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

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

The subsidiaries subject to the Deed are:

PWR Performance Products Pty Ltd

PWR IP Pty Ltd

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

SECTION G: GROUP STRUCTURE (CONTINUED)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

SECTION H: OTHER INFORMATION

H1 Financial risk management

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

- credit risk
- liquidity risk
- market risk

The note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and 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 B1.

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

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

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

Cash and cash equivalents

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

SECTION H: OTHER INFORMATION (CONTINUED)

Exposure to credit risk

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

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

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

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

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

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

Liquidity risk

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

SECTION H: OTHER INFORMATION (CONTINUED)

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

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

Market risk

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

Currency risk

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

Exposure to currency risk

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

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

Sensitivity analysis

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

SECTION H: OTHER INFORMATION (CONTINUED)

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

Interest rate risk

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

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

Cash flow sensitivity analysis for variable rate instruments

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

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

Fair values

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

SECTION H: OTHER INFORMATION (CONTINUED)

H2 Related party information

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

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

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

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

(i) The Group leased its Australian head office and factory facilities from an entity associated with Kees Weel until 31 August 2016.

(ii) Redback Radiators Pty Ltd is an entity that was associated with Kees Weel until 18 May 2016, which purchases goods and/or assets from the Group and sells products to the Group.

(iii) Innotherm Pty Ltd is an entity that was associated with Kees Weel until 16 February 2016, which purchases goods from the Group. The Group provided administrative services to Innotherm Pty Ltd.

(iv) Bayswater Road Radiators Pty Ltd is an entity associated with Kees Weel, which purchases goods from the Group.

(v) The Group leases its USA office and factory facilities from entities associated with Chris Paulsen, who was KMP until 25 January 2016.

(vi) Triple Eight Race Engineering is an entity associated with Roland Dane, which purchases goods from the Group.

H3 Auditors' Remuneration

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

SECTION H: OTHER INFORMATION (CONTINUED)

H4 Subsequent events

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

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

H5 New accounting standards

New standards and interpretations not yet adopted

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

Disclosure Initiative (Amendments to AASB 107)

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

AASB 15 Revenue from Contracts with Customers

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

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

The Group recognises revenue from the following sources:

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

SECTION H: OTHER INFORMATION (CONTINUED)

AASB 16 Leases

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

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

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

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

AASB 9 Financial Instruments

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

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

DIRECTORS' DECLARATION

For the year ended 30 June 2017

DIRECTORS' DECLARATION

1. In the opinion of the directors of PWR Holdings Limited (the "Company"):
 - (a) the consolidated financial statements and notes that are set out on pages 25 to 57 and the Remuneration report in section 16 in the Directors' report, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001;
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. There are reasonable grounds to believe that the Company and the group entities identified in Note G3 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785.
3. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2017.
4. The directors draw attention to Note A2 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of directors.



Kees Weel

Director

Dated at Brisbane, this 24th day of August 2017.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PWR HOLDINGS LIMITED

For the year ended 30 June 2017



Independent Auditor's Report

To the shareholders of PWR Holdings Limited

Report on the audit of the Financial Report

Opinion

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

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

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

The **Financial Report** comprises:

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

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

Basis for opinion

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

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

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

Key Audit Matters

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PWR HOLDINGS LIMITED

For the year ended 30 June 2017



Valuation of goodwill and intangibles (\$14.1 million)

Refer to Note C7 to the financial report

The key audit matter	How the matter was addressed in our audit
<p>A key audit matter for us was the Group's annual testing of goodwill and intangible assets for impairment given the size of the balance (being 30% of total assets).</p> <p>We focused on the significant forward-looking assumptions the Group applied in their value in use models, including forecast cash flows, growth rates and discount rates.</p> <p>The Group uses complex models in performing their annual impairment testing. These models use forward looking assumptions based on the Group's budgeting and business plans and a range of other internal and external sources as inputs to the assumptions. Complex modelling using forward-looking assumptions tend to be prone to greater risk for potential bias, error and inconsistent application. These conditions necessitate additional scrutiny by us, in particular to address the objectivity of sources used for assumptions, and their consistent application.</p> <p>We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> • We considered the appropriateness of the value in use method applied by the Group to perform the annual impairment testing against the requirements of the accounting standards. • We assessed the integrity of the value in use models used, including the accuracy of the underlying calculation formulas. • We considered the Group's determination of their CGUs based on our understanding of the Group's operations and how independent cash inflows were generated, against the requirements of the accounting standards. • We compared the forecast cash flows contained in the value in use model to Board approved budgets and the Group's business plans. • We assessed the accuracy of previous Group forecasts to inform our evaluation of forecasts incorporated in the models. • We considered the sensitivity of the models by varying key assumptions, such as forecast growth rates, terminal growth rates and discount rates, within a reasonably possible range, to identify those CGUs at higher risk of impairment and to focus our further procedures. • We challenged the Group's significant forecast cash flow and growth assumptions using our knowledge of the Group, their past performance and our understanding of factors impacting the business and customers in which the CGUs operate in. • Working with our valuation specialists, we independently developed a discount rate range considered comparable using publicly available market data for comparable entities, adjusted by risk factors specific to the CGU and the industry it operates in. • We assessed the disclosures in the financial report using our understanding obtained from our testing and the requirements of the accounting standards.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PWR HOLDINGS LIMITED

For the year ended 30 June 2017



Other Information

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

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

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

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

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

Responsibilities of Directors for the Financial Report

The Directors are responsible for:

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

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PWR HOLDINGS LIMITED

For the year ended 30 June 2017



Report on the Remuneration Report

Opinion

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

Directors' responsibilities

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

Our responsibilities

We have audited the Remuneration Report included in Section 16 of the Director's Report described as audited for the year ended 30 June 2017.

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

KPMG

Jason Adams
Partner

Brisbane
24 August 2017

ASX ADDITIONAL INFORMATION

Shareholdings as at 10 August 2017

DISTRIBUTION OF EQUITY SECURITY HOLDERS

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

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

TWENTY LARGEST SHAREHOLDERS

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

ASX ADDITIONAL INFORMATION

Shareholdings as at 10 August 2017

SUBSTANTIAL SHAREHOLDERS

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

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

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

RIGHTS

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

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

VOTING RIGHTS

Ordinary shares

Refer to Note F1 in the financial statements

Securities Exchange

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

Other information

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

On-market buy-back

There is no current on-market buy-back.

Offices and officers

Directors

Kees Weel

Jeffrey Forbes

Teresa Handicott

Roland Dane

Company Secretary

Lisa Dalton

Principal Registered Office

PWR Holdings Limited

103 Lahrs Road

Ormeau, 4208

Queensland

Locations of Share Registry

Computershare Investor Services Pty Ltd

117 Victoria Street

West End, 4101

Queensland



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