Annual Report

2020

PWR Holdings Limited

Contents

ABN 85 105 326 850

Chairman's Review

Teresa Handicott

PWR delivered a steady performance for the 2020 financial year, with NPAT only 8% lower than the prior period, despite the recent difficult economic conditions. The Group continued its high capital investment program while producing a strong return on equity at 24%.

Cash flows remain strong and together with efficient working capital management resulted in an EBITDA to cash conversion ratio of 94% and a strong cash balance at 30 June 2020 of over $20.8m. An additional $5m was drawn down from the finance facilities available to the Group and total facilities were increased by a further $10 m given the uncertain economic times which presented in March 2020. The Group remains in an overall net cash position.

Considering these results and balance sheet position, the Board has declared a fully franked final dividend of 4.0 cents per share which the Board believes appropriately takes into consideration the expectations of all stakeholders in the current economic environment.

Managing growth efficiently and diversifying the business are central pillars of the Group's strategy which management are successfully executing. This diversification also contributed to the resilience of earnings during the period of racing shutdowns. The Group has continued to invest in leading edge manufacturing equipment and technologies, including additive manufacturing machines, a 3D CT scanner and a vacuum furnace, and is now well equipped to capitalise on new commercial opportunities already presenting themselves.

Diversification has been a key focus of your Board and this strategy is coming to fruition with solid progress made in new categories. Micro matrix and cold plate technology sales are in line with expectations in the emerging technologies segment.

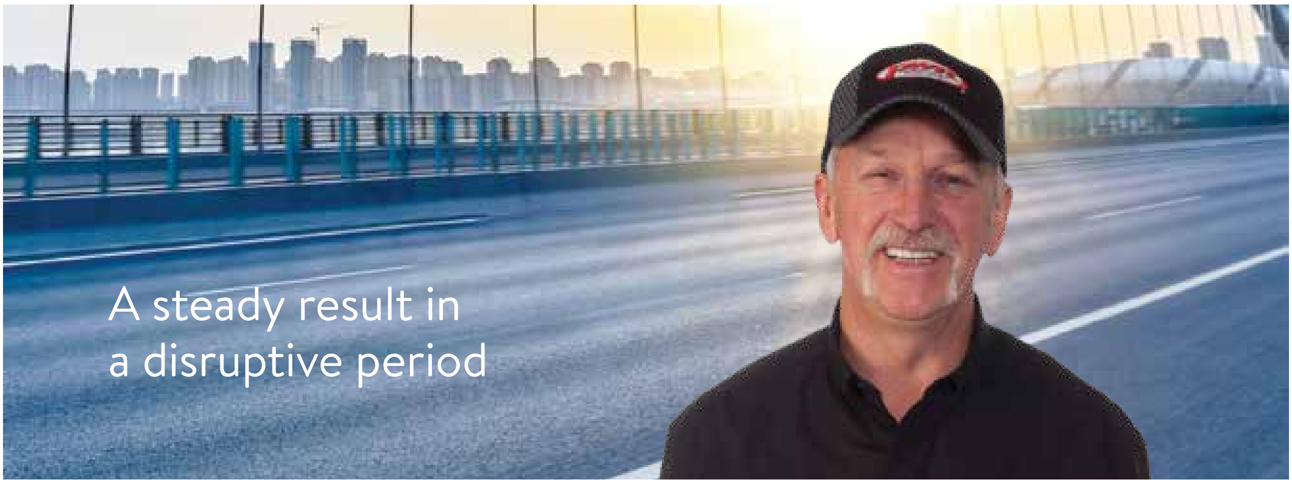
The progress made during the past tumultuous year has been possible only through the efforts of staff, management and directors, all of whom either took paycuts or worked for extended periods of reduced working days during the final quarter. I take this opportunity to thank all employees at PWR for their ongoing commitment to the success of the Group.

On behalf of your Board, I would like to thank all shareholders for their continued support of PWR.

Teresa Handicott
Chairman

Managing Director's Review

Kees Weel



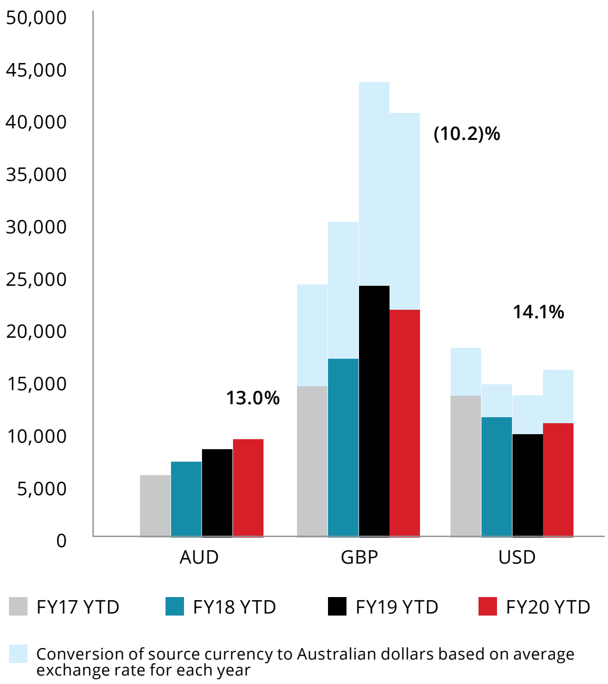
The 2020 financial year has seen a steady result despite some significant external events both in Australia with the bushfires in January and globally with covid-19 from March. Both these events caused significant economic upheaval and disruption. Our strong balance sheet allowed us to navigate through these events and we believe we have emerged stronger and well prepared for the challenges facing us in the next few years.

REVENUE

Group revenue for FY20 was flat with Europe being hardest hit by the covid-19 pandemic with most race categories ceasing all activity until July 2020. This significant decrease was offset by the increase in revenue at C&R and in Australia in the automotive aftermarket segment. In addition, although coming from a low base, the emerging technology product sets saw an impressive 62% increase in revenue whilst the OEM contracts also delivered a strong 60% revenue increase.

Favourable foreign currency movements during FY19 accounted for 5% of the revenue growth.

THIRD PARTY REVENUE BY CURRENCY



Motorsport was heavily impacted by covid-19 with most race categories postponing race calendars for FY20 and only reopening from July 2020. The OEM and emerging technology products address categories which include military and aerospace customers who were impacted differently to motorsport - we expect to see continued sales increases in emerging technologies in FY21 and beyond and expect these products to be major drivers of revenue growth for PWR.

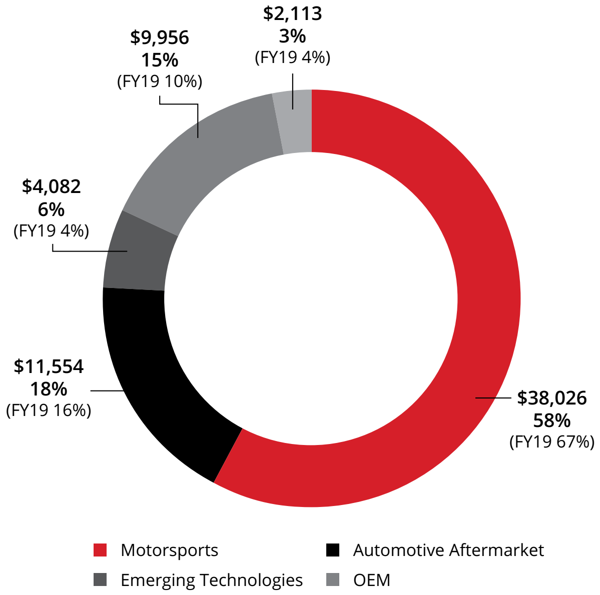
Managing Directors' Report

continued

Growth Rates	FY20	FY19	Change
Motorsports	$38,026	$43,988	-14%
Automotive Market	$11,554	$10,387	11%
Emerging Technologies	$4,082	$2,513	62%
OEM	$9,956	$6,229	60%
Industrial & Other	$2,113	$2,294	-8%
	$65,731	**$65,411**	**0.5%**

FY20 SALES CATEGORY ANALYSIS

(FY19 Comparatives)



PWR AUSTRALIA AND EUROPE

PWR continues to supply the majority of motorsport categories with cooling technology and this continues to be our primary category as noted in the graphical analysis above.

OEM PROGRAMMES

The previously announced OEM programmes commenced production and deliveries from C&R which has the capacity to deliver current programs and future OEM growth. OEM programmes are expected to also be an important source of growth for PWR.

CASHFLOW

Our working capital management remained strong for the period ended 30 June 2020 which resulted in a cash balance of over $20m at 30 June 2020. We believe we have achieved a balanced outcome for all stakeholders and expected future business requirements by declaring a fully franked final dividend of 4.0 cents per share.

Our EBITDA to cash conversion ratio was 94% which remains strong in difficult economic times.

TECHNOLOGY DEVELOPMENTS

The introduction of advanced technologies into our manufacturing processes will ensure we remain at the forefront of manufacturing capability and complexity for both existing customers as well as potential new customers and industries.

Our products manufactured using these new technologies have been extensively tested and have recently been commercialised with initial sales commencing. These new products provide compelling solutions to new industries and sales have been made to customers in both aerospace and military segments.

STAFF

PWR expects significant growth in FY21 and beyond and to support this growth has reviewed the organisational structure to ensure this aligned with expected operational requirements. As a result, the position of Chief Operating Officer was created and Matthew Bryson was appointed to this role effective 1 July 2020. Matthew has been with PWR since 2000 and held the position of General Manager Engineering prior to this.

The transition of C&R to a fully operational manufacturing facility resulted in Steve Rasso being appointed as General Manager from February 2020. Steve joined C&R in 2018 with more than 30 years of Tier 1 OEM heat exchanger experience. As a Mechanical Engineering graduate of the University of Dayton, Steve has held various positions in manufacturing operations, engineering and quality at DaimlerChrysler, Behr GmbH, and Mahle Behr before joining C&R to lead their OEM projects.

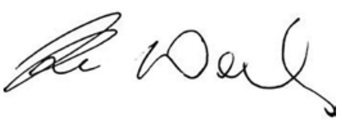
THE FUTURE

Visibility of our growth potential for the next two to three years is now better than what we have previously had which allows us to invest with confidence.

PWR now has over 300 team members globally. Staff numbers are expected to increase further, although at a lower rate given our focus on productivity and efficiency.

Staff go beyond what is expected of them on a regular basis and I thank them for the dedication and commitment which is so often demonstrated.

Thank you to shareholders, customers and staff for your continued support and I am looking forward to working with PWR and C&R staff this year with the objective of making FY21 a record year on all fronts.



Kees Weel
Managing Director

Directors' Report

Directors' Report

For the year ended 30 June 2020

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 2020 ("Reporting Period") and the auditor's report thereon.

1. DIRECTORS

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

Director	Experience
Teresa Handicott *Independent Chairman, Non-Executive Director* *Chairman of Nomination and Remuneration Committee* *Member of Audit and Risk Committee*	Teresa is a former corporate lawyer, with over 30 years experience in mergers and acquisitions, capital markets and corporate governance. She was a partner of national law firm Corrs Chambers Westgarth for 22 years, serving as a member of its National Board for seven years including four years as National Chairman. Teresa is a director of ASX listed company Downer EDI Limited and of Peak Services Holdings Pty Ltd, a subsidiary of The Local Government Association of Queensland (LGAQ), which is responsible for the LGAQ's commercial operations. 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 is a Member of Chief Executive Women (CEW), is a Senior Fellow of Finsia and a Fellow of the AICD. Teresa was previously a Member of the Queensland University of Technology Council, 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.
Jeffrey Forbes *Independent, Non-Executive Director* *Chairman of Audit and Risk Committee* *Member of Nomination and Remuneration Committee*	Jeff has over 30 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 Limited, an ASX-listed engineering consultancy company. Prior to joining Cardno, Jeff was Chief Financial Officer and Executive Director at Highlands Pacific and has previously held senior finance roles in the resources sector. Jeff holds a Bachelor of Commerce from the University of Newcastle and is a Graduate of the Australian Institute of Company Directors. Jeff is a Non-Executive Director of Cardno and Intega Group Limited and Chairman of Herron Todd White Australia and Herron Todd White Consolidated.

1. DIRECTORS (continued)

Director	Experience
Roland Dane *Independent, Non-Executive Director* *Member of Audit and Risk Committee* *Member of Nomination and Remuneration Committee*	Roland has extensive automotive business experience in the UK, Asia and Australia. Roland was the founder of, and remains the principle shareholder in, the Park Lane (UK) vehicle acquisition business in the UK some 33 years ago. He is also the Managing Director of the successful Triple Eight Race Engineering team, winning 8 out of the last 12 V8 Supercar championships.
Kees Weel *Managing Director and Chief Executive Officer*	Kees has in excess of 30 years of experience in the automotive cooling industry. He is a key relationship and business development manager for top tier local and overseas customers. Kees also actively leads the product development management team. Kees was a team principal of PWR Racing V8 Super Car Team 1998-2007 and was a board member for Tega V8 Supercars in 2007.

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.

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:

	Board Meetings		Audit and Risk Committee Meetings		Nomination and Remuneration Committee Meetings	
Director	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**
Teresa Handicott	16	16	4	4	4	4
Jeffrey Forbes	16	16	4	4	4	4
Roland Dane	16	16	4	4	4	4
Kees Weel	16	16	–	–	–	–

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, prototyping, production, testing, validation and sales of advanced cooling products and solutions to the motorsports, automotive original equipment manufacturing ("OEM"), automotive aftermarket and emerging technologies sectors for domestic and international markets.

The Group has manufacturing and distribution facilities in Australia and the USA and distribution facilities in the UK from which our European customers are serviced.

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

5. OPERATING AND FINANCIAL REVIEW

The operating and financial results for the year ended 30 June 2020 have been significantly impacted by the COVID - 19 outbreak which is discussed in more detail below.

COVID – 19

This significant public health issue has impacted the full year results of the Group with a large number of our customers either reducing their operations or closing them for a period of time. In addition, sporting events globally, including motorsport, were stopped for a period of time. Some motorsport categories have resumed prior to 30 June 2020 while others remain on hold.

The impact on the business of this uncertainty has been partly mitigated by Federal Government initiatives in Australia and the USA. In Australia, PWR Performance Products Pty Ltd is an eligible employer for the JobKeeper program. This program commenced in April 2020 and is currently ongoing until 27 September 2020.

In the USA, C&R Racing Inc applied for and was granted a loan of USD$1.175 million under the Pay Check Protection Program. Application for forgiveness of this loan has been made under the program guidelines and we believe we meet the criteria outlined for this loan forgiveness.

The Group has not restated or separately identified any aspect of its results for the impact of COVID- 19 other than disclosing the actual benefits received or due from the Australian Federal Government JobKeeper program and the USA Federal Government Pay Check Protection Program. The UK Government furlough scheme is immaterial to the Group results due to the small number of eligible staff employed at PWR Europe Ltd.

Revenue for the period March 2020 to 30 June 2020 decreased significantly as a result of COVID-19 with a consequential impact on net profit after tax. The Group has managed this revenue and NPAT reduction by reducing the working hours of all Australian based staff from 5 to 4 days per week while directors reduced their remuneration by up to 30% to 30 June 2020. The manufacturing operations at C&R Racing Inc in the USA were shut down for 3 weeks under a mandated closure of all commercial operations in the State of Indiana.

Our strong balance sheet has enabled us to maintain all our operations in a ready state and no staff have been retrenched as a result of COVID-19. As a precaution, PWR drew down the unused portion of the multicurrency credit facility of $10 million and increased this facility by a further $10 million which remains undrawn and still in place as at 30 June 2020. We do not expect to draw down on this additional facility and will review whether this is required as our business and our customers recommence economic activity from July 2020. The group has had no bad debts during this time.

Summary of financial results

A summary of the results is outlined below. The introduction of AASB 16 (*Leases*) had the following impact on Group results:

- $1.82m charge to amortisation expense for the amortisation of the deemed value of right of use assets;
- $0.27m of deemed interest expense on the right of use liability; and
- $1.80m of lease payments reducing the deemed right of use liability and not expensed in the current period.

The net impact of the above are reflected in the summary results below.

Profit and Loss Summary	FY20 A$'000	FY19 A$'000	Change %
Revenue	65,731	65,411	0.5%
EBITDA[1] – statutory	23,372	21,763	7.4%
– pre AASB 16	21,569	21,763	(0.9%)
EBITDA[1] margin – statutory	35.6%	33.3%	
– pre AASB 16	32.8%	33.3%	
Net profit after tax (NPAT) – statutory	13,049	14,206	(8.1%)
– pre AASB 16	13,334	14,206	(6.1%)
Operating cash flow (excluding interest and tax)	20,323	22,397	(9.3%)
Earnings per share – statutory	13.04 cents	14.21 cents	(8.2%)
– pre AASB 16	13.32 cents	14.21 cents	(6.3%)

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

5. OPERATING AND FINANCIAL REVIEW (continued)

A reconciliation of the impact of AASB 16 Leases on the reported statement of profit or loss and other comprehensive income is as follows:

	FY20 A$'000	FY19 A$'000
Statutory reported EBITDA[1]	23,372	21,763
Less: lease repayments reclassified under AASB16	(1,803)	–
Pre AASB 16 EBITDA[1]	21,569	21,763
Statutory reported NPAT	13,049	14,206
Less: lease repayments	(1,803)	–
Add: amortisation of deemed value of right of use assets	1,824	–
Add: deemed interest on the right of use liability	266	–
Less: foreign exchange fluctuation	(2)	–
Pre AASB 16 NPAT	13,334	14,206

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.

Incorporating the impact of AASB 16 (*Leases*), a summary of results for the period are as follows:

Pre AASB 16 Profit and Loss Summary

	FY20 A$'000	FY19 A$'000	FY19 to FY20
Revenue	65,731	65,411	0.5%
Pre AASB 16 EBITDA	21,569	21,763	(0.9%)
Pre AASB 16 EBITDA margin	32.8%	33.3%	(1.5%)
Pre AASB 16 net profit after tax	13,334	14,206	(6.1%)
Pre AASB 16 operating cash flow	19,393	22,397	(13.4%)
Underlying earnings per share	13.32 cents	14.21 cents	(6.3%)

Revenue

The Group achieved overall revenue growth of 0.5% compared to the prior corresponding period. Organic revenue decreased by 3.5% but was offset by favourable exchange rate movements of 4.0%.

The above growth was primarily driven by third party sales out of Australia and USA, where sales grew 13.0% and 14.1% respectively. Europe sales decreased by 10.2%.

Exchange rate movements saw the GBP being 0.5% weaker at 30 June 2020 and the US dollar being 0.8% stronger compared to the prior period. In contrast, average rates during the financial year saw the GBP 3.5% stronger and the US dollar 6.1% weaker than the prior period.

The net impact of exchange rate movements had a favourable impact on revenue for the year of $2.58m (FY19: $2.35m).

EBITDA

Despite the positive impact on revenue of foreign exchange rate movements, EBITDA in FY20 compared to the prior corresponding period was relatively static mainly due to:

- A decline in revenue due to COVID-19;
- Production and overhead costs reduced with the decline in sales volumes and staff costs reduced due to a 4 day working week;
- Benefits from the JobKeeper and Pay Check Protection programs; and
- Administration and overhead costs decreasing at a lower rate than sales and EBITDA.

5. OPERATING AND FINANCIAL REVIEW (continued)

Net profit after tax

Net profit after tax of the Group for the year ended 30 June 2020 was $13.05 million (FY19: $14.21 million).

Operating cash flow

The Group continued its strong cash conversion rate with FY20 operating cash flow of $20.3 million, a conversion of 87% from EBITDA.

Foreign currency

The Group is exposed to movements in foreign exchange rates, with consolidated revenue generated in various currencies (using average exchange rates through the reporting period) as outlined below:

	FY20	FY19	FY18
British pounds (GBP)	61.8%	66.7%	57.6%
US dollars (USD)	24.1%	20.7%	25.4%
Australian dollars (AUD)	14.1%	12.6%	17.0%

Balance sheet management

The balance sheet remains strong with cash of $20.8 million (FY19: $20.2 million).

Working capital utilisation has improved with the working capital cycle reducing from 86 days at 30 June 2019 to 71 days at 30 June 2020 contributing to a higher year end cash balance.

Capital expenditure for the year was $7.8 million (FY19: $5.9 million). Our strong balance sheet can support ongoing expected capital expenditure for potential future growth opportunities whilst still having access to available and unused financing facilities.

With the strong working capital position, expected future capital investment requirements and the ongoing strong contribution of EBITDA to operating cash flows, the Board has declared a final 2020 dividend of 4.00 cents per share bringing the total dividend paid to 5.90 cents per share.

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 $50.2 million (FY19: $52.5 million), The decrease was due to the impact of COVID-19 on customer operations.

The C&R segment generated external revenue of $15.57 million (FY19: $12.91 million). This is a positive development considering the lower activity due to the impacts of COVID-19.

The carrying value of goodwill and trademarks is assessed on an ongoing basis to ensure these are not impaired. This assessment has been performed at 30 June 2020 and due to the uncertainty of short term global outcomes, an assessment using currently available information has resulted in the current values continuing to be recognised. As information becomes more certain, revised and ongoing assessments of carrying values will continue to be performed.

Review of principal businesses

During the year ended 30 June 2020, in addition to the items outlined above, the Group:

- Enhanced our new micro matrix and cold plate technology product offerings;
- Received the grant awarded in FY19 from the State Government of approximately $1m from the Made in Queensland 2 program;
- Was awarded an additional grant for $1.2m from the State Government under the Made in Queensland 3 program;
- Increased supplies into new industries including aerospace and the military.

Directors' Report

For the year ended 30 June 2020

5. OPERATING AND FINANCIAL REVIEW (continued)

Business risks

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

Strategic	– Loss of key management personnel – Damage to or dilution of PWR brand – Consequences of BREXIT – Consequences of a further pandemic – Customers supply chain contraction and on-shoring of manufacturing
Operational	– Supply chain disruption – Loss of critical supply inputs or infrastructure – Cyber security breaches – Loss of intellectual property protection – Reduction in product quality standards – Loss of data security and integrity
Financial	– Currency volatility

Significant changes in the state of affairs

Other than as outlined in the operating and financial review, there were no significant changes in the state of affairs 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 2019 ordinary	6.90	6,900,000	19 September 2019
Special 2019 dividend	3.00	3,000,000	19 September 2019
Interim 2020 ordinary	1.90	1,901,666	27 March 2020
Total amount		11,801,666	

Declared after end of year

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

	Cents per share	Total amount $	Date of payment
Final 2020 ordinary dividend	4.00	4,003,507	25 September 2020
Total amount		4,003,507	

The financial effect of these dividends has not been brought to account in the consolidated financial statements for the year end 30 June 2020 and will be recognised in subsequent financial reports. There is no dividend re-investment plan in operation.

7. LIKELY DEVELOPMENTS

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

A consequence of COVID-19 is that many of our customers are facing a significantly changed operating environment and their resumption of full commercial activities is slowly materialising. We implemented plans to ensure the business reflected this lower economic activity, but are still able to quickly respond when demand returns or increases to pre COVID-19 levels. We are cautiously optimistic that the next financial year will see the benefits of resumed customer demand combined with more efficient business operations.

8. EVENTS SUBSEQUENT TO REPORTING DATE

The Board declared a fully franked final 2020 ordinary dividend of 4.00 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 2020.

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

9. ROUNDING OF AMOUNTS

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

10. ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE (ESG)

During 2020, PWR continued to grow and create shareholder wealth while caring for our people, our communities and our environment. We remain committed to operating in a manner which acknowledges and proactively manages those issues which are most material to the long term sustainability of our business, the environment and the communities in which we operate.

We made significant progress with our strategic agenda through the year, driving sustainable growth through our three strategic objectives of efficiency, diversification into aerospace, military and emerging technology while building a solid platform for future innovation, all of which support PWR to be the Global Leader in Cooling Technology Inspired by Engineering Excellence

Our People

At the heart of PWR is its people. We believe in them, support their health, safety and wellbeing and ensure they have access to learning and development opportunities. We encourage a work place that is diverse, empowered and demonstrates good decision making and one which fosters innovation and high productivity. We take a particular interest in recruiting apprentices and trainees and investing in them to build a capable and committed workforce to maintain PWR's exceptional quality workmanship and deliver for our customers.

Diversity

We recognise, embrace and value the differences and experiences of our people and their unique contribution to the workplace. PWR is committed to promoting equality within its culture and believes this is vital for developing and maintaining a high performing and positive workplace. PWR strives to reinforce values of respect, equality, teamwork, innovation and accountability. Diversity is a consideration that forms part of PWR's long term commercial success and strategy. PWR's commitment to diversity will make it stronger and deliver benefits, including diversity of thought, improved business performance, enhanced service delivery and increased staff attraction, retention, motivation and satisfaction.

We are focused on ensuring PWR's programs and conditions are inclusive and can support all our people, whatever stage they are at in life and their career.

This year:

- We employed 23 apprentices and trainees with a strategic focus on increasing female participation in our workplace; and
- We implemented an online learning and development platform, providing flexible access to our employees to build and develop skills, improve employee engagement, accelerate employee induction and training, and support organisational goals.

Engaged Workforce

Engaged People are key to the delivery of our PWR's vision. We have recently created the role of Chief Operating Officer which reflects the importance of continuing to develop global operations and supply chain that underpin our strategic objectives and deliver high quality and innovative products, efficiently to our customers.

10. ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE (ESG) (continued)

To better engage our workforce, we conducted a company-wide employee engagement survey. We received an engagement score of 77% and feedback on the things we do well and areas for improvement. A response and action plan was prepared by management and approved by the Board. This was followed up with lunch and learn sessions with our workforce to prioritise actions across communication, work-life balance and career progression which fed into an employee engagement roadmap.

Health, Safety and Wellbeing

We care about our employees and are committed to ensuring a safe and healthy workplace.

As the COVID-19 pandemic was declared in Australia in March 2020, we implemented a number of business contingency plans, personal hygiene and social distancing measures at all sites in line with government and Safe Work Australia guidelines.

Current controls we have in place include:

- Practising good hygiene and social distancing
- 14-day self-isolation requirements for any employee returning from overseas travel, along with a suspension of work-related overseas travel
- Providing regular updates and education to our employees as needed
- Constant monitoring of government and medical information sources.

We significantly improved our Lost Time Injury Frequency Rate (LTIFR) in 2020 reducing it from 11 to 3.3, which is well below the industry benchmark, there is always room for improvement and we maintain a continued focus on identifying and managing health and safety risks and learning through regular safety shares. This year we:

- Collaborated with our Australian workforce to initiate a critical safety risk management program to facilitate our people taking responsibility and making good choices when undertaking high risk tasks. Twenty critical risk activities have been identified in workshops and the company is in the process of developing, implementing and providing training on, risk mitigation action plans for these risks. The process is to be replicated in the US. Examples of the critical safety risk management program in action are employee driven decisions to implement safety glasses in our workshops for all activities and the use of gloves for high risk activities
- Provided breakfast, morning tea and lunch to our employees at Ormeau through our dedicated Weely's Diner, a 60 person dining room open from 5am to 3pm, 5 days a week
- Provided free influenza vaccinations to our workforce.

The Group has not had any fatalities nor fines or prosecutions from safety related breaches.

Our Stakeholders

Our Shareholders

We are committed to engaging with all of our shareholders and we held our Annual General Meeting in 2019 at our manufacturing site at Ormeau where we provided shareholders with site tours so they could see first-hand what we do.

We were able to show off our new micro-matrix facility, completed in late 2019 which is a state of the art, secure facility where we manufacture the cutting-edge of cooling technology that is currently being used in motorsport and high-end supercars. The highly intricate nature of the construction and assembly of micro-matrix cooling components, has required the construction of a specially built facility with restricted access, medical grade air filtration and state of the art tooling.

This year we were able to use this facility to assist Triple 8 Race Engineering with the manufacture of medical grade parts for their Conrod Project where they designed and built critical emergency ventilators to support the global response to the Covid-19 pandemic.

Our Customers

When entering into a relationship with its customers PWR does not just sell them a product but partners with them to develop cooling solutions where the customer can use PWR's engineering department and manufacturing facilities to purpose build the right solution.

Community Support

PWR's employees are active participants in the community and foster a healthy sense of competitive tension in the workplace through participation in a number of community initiatives. This year we participated in and raised money for the Women's Day Fun Run, Movember, Shave for a Cure and held gold coin donation lunches for community causes such as drought relief and bushfires.

10. ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE (ESG) (continued)

Our Corporate Governance and Risk Management Practices

The Corporate Governance statement of the Group is available through the Group website and is also released on the ASX website. The Corporate Governance statement adopted by the Board reflects the Board's endorsement and adoption of the recommendations contained in the ASX Corporate Governance Council's Principles and Recommendations.

PWR's risk management approach is the structured process to identify potential threats to the success of the business, and defines the strategy for eliminating or minimising the impact of these risks.

At all levels, PWR is committed to ensuring that risk management is regarded as an essential element in our management processes with linkages to every aspect of our business including development of existing business, expansion into new markets, relationships with major customers and suppliers and our treasury and capital management activities.

A significant area of focus during the year was on protection of PWR's intellectual property and management of cybersecurity risk. This year we:

- undertook an independent external review of our IT and potential cyber security exposures and have subsequently implemented all recommendations arising from this review. On completion of the implementation of the recommendations, a further independent external assessment was completed to test and confirm the effectiveness of cyber security robustness
- introduced capability for serialisation of products including full traceability of components and raw materials used in the production process back to raw material source.

Our Resource Management

Although the PWR Group is not subject to any significant environmental regulations, the Group manages environmental aspects and impacts through its ISO 14001 compliant management system.

The Group is focussed on environmental management by :

- ensuring exhaust gases generated in the manufacturing process are removed via activated compounds prior to being released into the environment;
- recycling raw materials, cardboard and office materials;and
- disposal of wastes and hazardous materials in accordance with government 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 performed certain other services in addition to the audit and review of the financial statements.

The Board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the audit committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the audit committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

Directors' Report

For the year ended 30 June 2020

13. NON-AUDIT SERVICES (continued)

Details of the amounts paid to the auditor of the Group, KPMG, and its network firms for audit and non- audit services provided during the year are set out below.

In dollars	2020
Audit and review of financial statements	144,000
Services other than audit and review of financial statements:	
IT advisory services	68,407
Total paid to KPMG	212,407

14. LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 27 and forms part of the directors' report for the financial year ended 30 June 2020.

15. DIRECTORS' INTERESTS

Details of the Directors' interests in the securities of the Company are disclosed in the remuneration report.

Message from the Chairman of the Nomination and Remuneration Committee

On behalf of the members of the Nomination and Remuneration Committee, Jeffrey Forbes and Roland. Dane, I am pleased to present the Remuneration Report for the 2019-20 financial year (Reporting Period).

The latter part of the Reporting Period saw extraordinary times throughout the world. The Managing Director and Senior Executives at PWR put in an enormous effort and responded rapidly to the crisis implementing measures to protect our people and our business, achieving strong results against agreed corporate and individual key performance indicators.

Remuneration

As part of our response, Non-Executive Directors and the Managing Director reduced their fees and salary respectively by between 20% and 30% during April, May and June. The Managing Director and Senior Executives also took one day per week annual leave to reduce overheads and leave balances in response to the impact of the global pandemic on the motorsports industry and business in general, demonstrating strong leadership across the rest of the workforce who also reduced their working hours to a four day week.

Despite the challenges, the management team have been able to deliver on most agreed objectives and targets. This has resulted in PWR delivering a strong NPAT result, being able to declare a fully franked dividend in line with the Company's dividend policy, a TSR ranking in the 90th percentile based on assessment against the S&P ASX-300 comparator group (excluding oil and gas) over the past three years and continuing to deliver on PWR's strategic objectives.

Whilst the management team has delivered strong overall Group performance demonstrated by PWR's NPAT result of $13.1 million, it was not enough to trigger the operation of the Company's short term incentive plan. However, given the rapid response to the global pandemic required from the management team and the extraordinary effort that required, and noting the TSR performance in the 90% quartile, the Board exercised its discretion under the STIP and to assess participant's personal performance against pre-established personal KPIs. Personal performance targets were met or exceeded by all Senior Executives in what was an unprecedented year. The corporate performance metrics (which represent 60% of the available STI for KMP) were not assessed or paid. As such, cash bonuses were significantly reduced this year.

The first vesting of Long Term Incentive Awards under the Long Term Incentive Plan approved by Shareholders in 2016 was made in October 2019 to two members of the management team after meeting performance hurdles of an EPS growth rate of 52.6% over the three year performance period and a TSR ranking for PWR at the 70th percentile. The vesting of these performance rights is in line with our policy of rewarding high performance linked to the creation of shareholder wealth.

I invite you to read our remuneration report and welcome your feedback.

Sincerely

Teresa Handicott
Chairman, NRC

16. REMUNERATION REPORT – AUDITED

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.

During the reporting period, an organisational restructure was completed and following that Matthew Bryson was appointed to the role of Chief Operating Officer effective 1 July 2020 which was driven by the company's global growth. The restructure resulted in a review of KMP within the Group with some roles that were previously considered to be KMP changing to an operational focus in their respective jurisdictions.

There has been no changes to the Company's remuneration framework or policies or its Short Term or Long Term Incentive Plans since the 2019 Remuneration Report.

The table below summarises details of KMP of the Group that were KMP on 30 June 2020 or who were KMP during the financial year ended 30 June 2020, their roles and appointment/cessation dates.

Key Management Personnel during the Reporting Period

Name	Role	Appointment Date	Cessation Date
Non-Executive Directors			
Teresa Handicott	Non-Executive Director Chairman	1 October 2015 19 October 2017	–
Jeff Forbes	Non-Executive Director	7 August 2015	–
Roland Dane	Non-Executive Director	1 March 2017	–
Executive Director and Senior Executives			
Kees Weel	Managing Director	30 June 2003	–
Stuart Smith	Chief Financial Officer	13 November 2017	–
Matthew Bryson	General Manager Engineering	11 April 2006	30 June 2020
	Chief Operating Officer	1 July 2020	–
Andrew Burton	General Manager, Europe	1 July 2017	1 July 2020
Jim Ryder[1]	General Manager, USA	10 January 2017	6 February 2020

1 Jim Ryder, General Manager USA ceased being a KMP effective 6 February 2020 on cessation of his employment.

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 and the creation of Shareholder value.
Nomination and Remuneration Committee ("NRC")	NRC is a sub-committee of the Board. Its purpose is to review and make recommendations to the Board on remuneration policies for non-executive directors, senior executives and all employees including incentive arrangements and awards. The NRC can appoint remuneration consultants and other external advisors to provide independent advice.
Managing Director	Provides all relevant information to the NRC to facilitate the NRC making recommendations to the Board on remuneration decisions.

16. REMUNERATION REPORT – AUDITED (continued)

C1. Policy

A copy of the remuneration policy for Non-Executive Directors is available on the Group's website. The objective of the 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 nor 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 remuneration rates for Non-Executive Directors through annual Board and Committee fees (inclusive of superannuation) during the reporting period.

Role	Timeframe	Approved Director Fees per annum
Chairman	Reporting Period	$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

Following the global impact of the COVID-19 pandemic as part of a prudent risk management strategy, Non-Executive Directors fees were reduced from April 2020. The table below sets out the actual fees paid to Non-Executive Directors during the Reporting Period.

Role	Timeframe	Paid Director Fees per annum
Chairman	Reporting Period	$138,750
Non-Executive Director	Reporting Period	$90,250
Audit and Risk Committee Chairman	Reporting Period	$19,000
Nomination and Remuneration Committee Chairman	Reporting Period	$18,500

16. REMUNERATION REPORT – AUDITED (continued)

D. Executive Director and Senior Executive Remuneration

D1. Remuneration policy for senior executives

The guiding principles governing PWR's Pay for Performance Policy and how we implement them are summarised in the table below:

Principles of remuneration	How we meet these principles
Remuneration will incorporate external market reference to maintain market competitiveness	We undertake remuneration benchmarking using independent renumeration consultants to maintain market competitiveness
Make clear the line of sight between performance and reward to ensure that superior performance is recognised and rewarded, with a view to driving long-term growth and shareholder value	We set key performance indicators that have stretch targets, evidenced by improvement over and above actual results achieved from the prior year or specifically linked to achievement of an outcome linked to our strategic work programs. Our incentive plans have a balance of short and long term targets selected to support business performance and strategy implementation and ultimately shareholder value.
Provide fair, consistent and internally equitable reward to appropriately compensate employees for their contributions and performance outcomes	Internal equity is achieved partly through external benchmarking and internally moderating performance assessments across the business
Manage the balance between reward funding and Company performance / financial outcomes	The Board maintains ultimate discretion under PWR's incentive plans to make awards or not and all awards are subject to consideration of the Company's ability to pay
Ensure a level of transparency and clarity in reward design and governance processes	We attempt to report in a transparent manner on the link between reward and performance under our incentive schemes and outline the governance process to give confidence to our shareholders

The remuneration framework for Senior Executives comprises two elements:

1. Fixed remuneration, and
2. Performance linked or "at risk" remuneration comprising both short and long term components.

D1.1 Fixed remuneration

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

The Board determines an appropriate level of fixed remuneration for the senior executives following recommendations from the Nomination and Remuneration Committee. The Nomination and Remuneration Committee has the delegated authority from the Board to engage independent remuneration consultants as it sees fit.

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

The Managing Director and senior executives received increases to their fixed remuneration during the Reporting Period following an independent external remuneration review by Godfrey & Associates in June 2019. This was included in the 2019 Directors' Report and is outlined in Note 16 G of this report.

16. REMUNERATION REPORT – AUDITED (continued)

D1.2 Performance linked remuneration

Short-term incentive plan

Maximum potential reward for performance linked remuneration

The Managing Director and Senior Executives are eligible to participate in the Group's short-term incentive and long term incentive plans. The table below shows the maximum potential reward possible under the STIP and LTIP for the Managing Director and Key Management Personnel for the Reporting Period:

Name	Role	STIP Maximum Potential % TFR	LTIP Maximum Potential % TFR
Kees Weel	Managing Director	50%	50%[1]
Stuart Smith	Chief Financial Officer	30%	30%
Matthew Bryson	Chief Operating Officer	30%	30%
Andrew Burton	General Manager, Europe	20%	–
Jim Ryder	General Manager, USA	20%	20%

1 Kees Weel is eligible to participate in the LTIP but elects not to participate given his significant shareholding in the company

Short-term incentive plan

The Managing Director and Key Management Personnel 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 both a corporate and individual level.

At the beginning of the Reporting Period, the Board established corporate performance metrics which accounts for 60% of the maximum potential cash bonus payable to Senior Executives. Corporate performance metrics align the Senior Executive's interest and performance to a group level requiring strategic thinking, cooperation and business wide leadership.

The corporate performance metrics for the Reporting Period were:

Corporate Performance Metric	Target	Weighting	Outcome
Financial Performance Gate which must be met to trigger the ability to have corporate performance metrics assessed and awarded	Board determined percentage increase on pcp NPAT	30%	Not met primarily as a result of impact of COVID-19 global pandemic
Safety – Lost Time Injury Frequency Rate (LTIFR)	LTIFR < 7.1 at 30 June 2020	25%	LTIFR = 3.3 at 30 June 2020. Achieved
Quality – warranty claims and customer returns	<0.5% of total despatched items	25%	Actual <0.5%. Achieved
Organic Revenue Growth	Board determined perentage increase from the pcp	20%	Not met primarily as a result of impact of COVID-19 global pandemic

Individual KPI's for Key Management Personnel amount to 40% and Senior Executives 60% of the maximum potential cash bonus payable included specific targets for revenue growth in particular segments, global supply chain efficiencies, working capital management and the establishment of specific programs in new markets.

16. REMUNERATION REPORT – AUDITED (continued)

Whilst the Senior Executives have delivered strong overall Group performance demonstrated by PWR's NPAT result of $13.1 million, it was not enough to trigger the operation of the Company's short term incentive plan. Given the rapid change in focus required from the Senior Executives to respond to the global pandemic and the extraordinary effort that required, the Board exercised its discretion under the STIP and assessed each Senior Executive's personal performance against pre-established personal KPIs. Personal performance targets were met or exceeded by all Senior Executives in what was an unprecedented year. As a result, cash bouses payable to Key Management Personnel attributed to performance in the Reporting Period are summarised below.

Name	Position	Personal Key Performance Indicators	Max Potential Bonus % TFR	Actual Bonus % TFR	Bonus included in FY20 remuneration
Kees Weel	Managing Director	Business development and growth	50%	20%	$100,000
Stuart Smith	Chief Financial Officer	Treasury, expenditure and balance sheet management	30%	12%	$39,000
Matthew Bryson	Chief Operating Officer	Product development and management	30%	12%	$39,000
Andrew Burton	General Manager Europe	Customer management and development	20%	8%	$20,000

Long-term incentive plan

Shareholders approved the implementation of a long-term incentive plan ("LTIP") at the 2016 Annual General Meeting ("AGM"). The LTIP is an equity-based incentive designed to provide participants with the incentive to deliver growth in shareholder value.

Senior Executives receive performance rights ("Rights") on an annual basis under the Performance Rights Plan, subject to the approval of the Board. The Managing Director is entitled to receive Performance Rights on an annual basis under the Performance Rights Plan, subject to approval of shareholders. A grant of Rights was made to Senior Executives in the 2020 financial year with the exception of the Managing Director who has elected not to participate in the LTIP given his significant shareholding in the Company. As such, no Rights were issued to the Managing Director in the current or prior year.

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:

- 50% of the rights will vest upon 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
- 50% of the rights will vest based on growth in annual Earnings Per Share ("EPS") relative to a target set by the Board and as outlined below.

Participants must remain continually employed with the Company until the date of vesting. Vesting of each tranche is as follows:

TSR Ranking (50%)

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

EPS Growth (50%)

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

TSR Ranking (TSR)	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 50% 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

16. REMUNERATION REPORT – AUDITED (continued)

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 may be forfeited and lapse. Rights do not entitle holders to dividends that are declared during the vesting period. The Board believes that the performance hurdles, in combination, serve to align the interests of the individual senior executives with the interests of the Company's shareholders.

E. Company performance and remuneration outcomes

The various components of the way the Group remunerates KMP 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 ending 30 June:

	Note	2020 $'000	2019 $'000	2018 $'000	2017 $'000	2016 $'000
EBITDA		$23,430	$21,763	$16,336	$14,727	$16,903
Net profit after tax		$13,049	$14,206	$11,001	$9,280	$8,735
Ordinary dividend per share (cents)		5.90	8.50	7.30	5.60	4.40
Special dividend per share (cents)		–	3.00	–	–	–
Change in share price		0.37	1.41	0.36	(0.43)	1.28
Earnings per share	B5	13.04	14.21	11.00	9.28	9.31
Total Shareholder Return Ranking[1]		90th percentile	70th percentile	n/a	n/a	n/a

1 Compares PWR's TSR to the S&P/ASX 300 excluding companies operating in the Energy sector (oil, gas and coal) and those that have de-listed since 1 July 2017 over a three year performance period ending on 30 June for the relevant financial year

F. Contract duration and termination requirements

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

Name	Position	Notice Period
Executive Director		
Kees Weel	Managing Director	6 months
Senior Executives		
Stuart Smith	Chief Financial Officer	3 months
Matthew Bryson	General Manager Engineering	3 months
	Chief Operating Officer	6 months

16. REMUNERATION REPORT – AUDITED (continued)

G. Services from remuneration consultants

The Nomination and Remuneration Committee (NRC) engaged Godfrey & Associates (Godfrey) as remuneration consultants to review the amount and elements of the key management personnel remuneration and provide recommendations in relation thereto.

Godfrey was paid $10,000 for the remuneration recommendations in respect of reviewing the amount and elements of remuneration. Godfrey did not provide any other services.

The engagement of Godfrey by the NRC was based on a documented set of protocols that would be followed by Godfrey, members of the NRC, and members of the key management personnel for the way in which remuneration recommendations would be developed by Godfrey and provided to the NRC.

The protocols included the prohibition of Godfrey providing advice or recommendations to key management personnel before the advice or before Godfrey's recommendations were given to members of the NRC and not unless Godfrey had approval to do so from members of the NRC.

These arrangements were implemented to ensure that Godfrey would be able to carry out its work, including information capture and the formation of its recommendations, free from undue influence by members of the key management personnel about whom the recommendations may relate.

The board is satisfied that the remuneration recommendations were made by Godfrey free from undue influence by members of the key management personnel about whom the recommendations may relate.

The board undertook its own inquiries and review of the processes and procedures followed by Godfrey during the course of its assignment and is satisfied that its remuneration recommendations were made free from undue influence.

These inquiries included arrangements under which Godfrey was required to provide the board with a summary of the way in which it carried out its work, details of its interaction with key management personnel in relation to the assignment and other services and respond to questioning by members of the board after the completion of the assignment.

The results of this review have been implemented from the commencement of the Reporting Period and are included in this report.

16. REMUNERATION REPORT – AUDITED (continued)

H. 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:

		Short-term benefits				Post Employment Benefits		Long-term benefits	Share-based payments	
	Year	Cash salary & fees $	Cash Bonus $	Non-cash benefits $	Total $	Super benefits $	Termin-ation benefits $	Long service leave $	Performance rights $	Total $
Non-executive Directors										
Current										
Teresa Handicott	2020	143,607	–	–	143,607	13,643	–	–	–	157,250
Chairman Non-Executive Director	2019	156,986	–	–	156,986	13,014	–	–	–	170,000
Jeff Forbes	2020	99,772	–	–	99,772	9,478	–	–	–	109,250
Non-Executive Director	2019	105,023	–	–	105,023	9,977	–	–	–	115,000
Roland Dane	2020	90,250	–	–	90,250	–	–	–	–	90,250
Non-Executive Director	2019	95,000	–	–	95,000	–	–	–	–	95,000
Total - Non-Executive Directors' Remuneration	2020	333,629	–	–	333,629	23,121	–	–	–	356,750
	2019	357,009	–	–	357,009	22,991	–	–	–	380,000

Note: Non-Executive Director and Committee fees were reduced from April 2020 as part of Group wide reductions. Refer to Note C2 for details by Director.

16. REMUNERATION REPORT – AUDITED (continued)

	Year	Short-term benefits: Cash salary & fees $	Short-term benefits: Cash Bonus $	Short-term benefits: Non-cash benefits(iv) $	Short-term benefits: Total $	Post Employment Benefits: Super benefits $	Termin-ation benefits $	Long-term benefits: Long service leave $	Share-based payments: Perfor-mance rights $	Total $	Propor-tion of remu-neration perfor-mance related %
Executive Directors and senior executives											
Current											
Kees Weel	2020	450,000	100,000	24,861	574,861	50,520	–	11,827	6,328	643,536	16.5%
Managing Director	2019	350,000	168,630	18,846	537,476	49,353	–	5,536	36,660	629,025	32.6%
Stuart Smith	2020	304,808	39,000	(8,364)	335,444	35,571	–	–	62,952	433,967	23.5%
Chief Financial Officer	2019	250,000	72,270	5,263	327,533	28,522	–	–	34,781	390,836	27.4%
Matthew Bryson(i)	2020	304,808	39,000	21,401	365,209	35,571	–	6,584	73,230	480,594	23.4%
General Manager Engineering	2019	250,000	72,270	11,725	333,995	30,908	–	3,954	58,637	427,494	30.6%
Andrew Burton(ii)	2020	218,386	20,000	–	238,386	16,188	–		–	254,574	7.9%
General Manager, Europe	2019	244,255	40,000	–	284,255	–	–	–	–	284,255	14.1%
Former											
Jim Ryder(iii)	2020	142,386	–	–	142,386	–	55,698	–	(51,227)	146,857	–
General Manager, USA	2019	209,102	–	17,007	226,109	–	–	–	25,035	251,144	10.0%
Total - Executive Directors' and senior executives' Remuneration	2020	1,420,388	198,000	37,898	1,656,286	137,850	55,698	18,411	91,283	1,959,528	14.8%
	2019	1,303,357	353,170	52,841	1,709,368	108,783	–	9,490	155,113	1,982,754	25.6%
Total - KMP Remuneration	2020	1,754,017	198,000	37,898	1,989,915	160,971	55,698	18,411	91,283	2,316,278	12.5%
	2019	1,660,366	353,170	52,841	2,066,377	131,774	–	9,490	155,113	2,362,754	21.5%

(i) Previously General Manager Engineering, appointed as Chief Operating Officer ("COO") at 1 July 2020.

(ii) Employed by PWR Europe Ltd. Paid in GBP and converted to AUD at reporting date.

(iii) Employment at C&R Racing Inc ceased 6 February 2020. Paid in USD and converted to AUD at cessation date.

As part of the changes made at C&R Racing Inc, the organisational restructure and the appointment of a Chief Operating Officer, this position is no longer regarded as a KMP as it is operationally focussed at C&R Racing Inc.

(iv) Annual leave movement.

16. REMUNERATION REPORT – AUDITED (continued)

I. 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:

	Shareholdings of KMP				
Name	**Opening Balance 1 July 2019**	**Shares acquired during the year**	**Shares disposed of during the year**	**Other**	**Closing Balance 30 June 2020**
Non-executive Directors					
Teresa Handicott	25,500	14,000	–	–	39,500
Jeff Forbes	20,000	–	–	–	20,000
Roland Dane	134,474	20,885	(94,474)	–	60,885
Executive Director and Key Management Personnel					
Kees Weel(i)	29,868,500	61,385	(2,500,000)	–	27,429,885
Matthew Bryson(ii)	3,500,000	26,309	–	–	3,526,309
Stuart Smith	10,000	–	–	–	10,000
Andrew Burton	92,739			–	92,739

(i) 17,368,500 shares held by KPW Property Holdings Pty Ltd as trustee for the KPW Holdings Trust. At 30 June 2020 Kees Weel is a director of the trustee and beneficiary of the trust.

10,000,000 shares held by Wagon Weel Pty Ltd as trustee for the Wagon Weel Trust. At 30 June 2020 Kees Weel is a director of the trustee and beneficiary of the trust.

61,385 shares acquired by Kees Weel on vesting of FY17 performance rights

(ii) 26,309 shares acquired by Matthew Bryson on vesting of FY17 performance rights

J. Voting and comments made at the Company's 2019 Annual General Meeting

The Company received 99.5% "for" votes on its remuneration report for the 2019 financial year. The Company did not receive any specific feedback or comments at the 2019 AGM on its remuneration report.

K. Rights over equity instruments granted as remuneration

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

16. REMUNERATION REPORT – AUDITED (continued)

87,694 performance rights vested during the Reporting Period. Total Performance Rights issued at 30 June 2020 are as follows:

	Description of Rights	Number of Rights granted	Fair Value per Right at Grant Date TSR Component $	Fair Value per Right at Grant Date EPS Component $	Grant Date	Vesting Date	Expiry Date
Matthew Bryson	FY18 LTIP	37,330	0.87	2.43	24/11/17	1/9/20	1/3/21
General Manager	FY19 LTIP	31,417	1.82	2.68	22/8/18	1/9/21	1/3/22
Engineering	FY20 LTIP	23,243	3.17	4.49	19/9/19	1/9/22	1/3/23
	FY18 LTIP	24,886	0.87	2.43	24/11/17	1/9/20	1/3/21
Stuart Smith	FY19 LTIP	31,417	1.82	2.68	22/8/18	1/9/21	1/3/22
Chief Financial Officer	FY20 LTIP	23,243	3.17	4.49	19/9/19	1/9/22	1/3/23
Total on issue to KMP		171,536					
Non KMP		226,462					
Forfeited due to resignation		(51,227)					
Total on issue at 30 June 2020		346,771					

L. Equity Instruments- audited

Performance rights over equity instruments

The movement during the reporting period, by number of rights over ordinary shares in PWR Holdings Ltd held, directly, indirectly or beneficially by each key management person, including their related parties, is as follows:

	Held 1 July 2019	Granted as compensation	Exercised	Lapsed	Forfeited	Held 30 June 2020	Vested during year	Vested and exercisable at 30 June 2020
Rights								
Kees Weel	64,958	–	61,385	–	3,573	–	64,958	–
Matthew Bryson	96,586	23,243	26,309	–	1,530	91,990	26,309	–
Stuart Smith	56,303	23,243	–	–	–	79,546	–	–

The forfeited Rights represent those Rights that did not vest due to performance criteria not being achieved. During the reporting period, the following shares were issued on the exercise of options previously granted as compensation:

	Number of shares	Amount paid per share ($)
Kees Weel	61,385	–
Matthew Bryson	26,309	–

16. REMUNERATION REPORT – AUDITED (continued)

The value of Rights over ordinary shares in the Company granted and exercised by each key management person during the reporting period is detailed below.

	Granted in year $[a]	Value of rights exercised in year $[b]
Kees Weel	–	$278,639
Matthew Bryson	$89,021	$119,422
Stuart Smith	$89,021	–

(a) The total value of rights granted in the year is the fair value of the rights calculated at grant date. This amount is allocated to remuneration over the vesting period.

(b) The value of rights exercised during the year is the market price based on the previous 5 days VWAP at vesting date after deducting the price paid to exercise the right.

M. 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 arm's length basis.

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

This report is made with a resolution of the directors:

____

Teresa Handicott
Chairman
Brisbane
20th August 2020

____

Kees Weel
Managing Director
Brisbane
20th August 2020

Lead Auditors Independence Declaration Under Section 307C of the Corporations Act 2001

For the year ended 30 June 2020

KPMG

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

To the Directors of PWR Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2020 there have been:

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

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

KPMG

KPMG

E. Neville-Stanley

Erin Neville-Stanley
Partner

Brisbane
20 August 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2020

	Note	2020 $'000	2019 $'000
Revenue	B2	65,731	65,411
Other income	B2	4,119	600
Raw materials and consumables used		(14,249)	(13,928)
Employee expenses		(28,313)	(24,942)
Occupancy expenses		(490)	(2,084)
Other expenses		(3,426)	(3,294)
Profit before depreciation, net finance costs and income tax		23,372	21,763
Depreciation and amortisation		(2,881)	(2,470)
Right of use asset amortisation	H5	(1,824)	–
Total depreciation and amortisation expense		(4,705)	(2,470)
Finance income		97	614
Finance costs		(263)	(71)
Right of use deemed interest		(266)	–
Net finance (costs)/income	B4	(432)	543
Profit before income tax		18,235	19,836
Income tax expense	E1	(5,186)	(5,630)
Profit for the year attributable to equity holders of the parent		13,049	14,206
Other comprehensive income			
Items that are or may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		(324)	(103)
Total comprehensive income for the year		12,725	14,103
Basic and diluted earnings per share	B5	13.04 cents	14.21 cents

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

Consolidated Statement of Financial Position

At 30 June 2020

	Note	2020 $'000	Restated* 2019 $'000
ASSETS			
Current assets			
Cash and cash equivalents	C1	20,805	20,223
Trade and other receivables	C2	6,932	4,689
Inventories	C3	6,528	7,194
Other assets	C4	2,912	1,563
Total current assets		37,177	33,669
Non-current assets			
Property, plant and equipment	C5	20,368	15,350
Right of use lease assets	C6	8,928	–
Intangible assets	C7	15,034	15,003
Deferred tax assets	E2	876	955
Total non-current assets		45,206	31,308
Total assets		82,383	64,977
LIABILITIES			
Current liabilities			
Trade and other payables	C8	4,770	4,812
Loans and borrowings	F1	229	119
Deferred Income	F2	208	–
Right of use lease liabilities	C6	1,653	–
Employee benefits	D1	2,050	1,907
Current tax liabilities	E2	1,886	1,293
Provisions		133	139
Total current liabilities		10,929	8,270
Non-current liabilities			
Loans and borrowings	F1	8,585	3,523
Deferred Income	F2	798	–
Right of use lease liabilities	C6	7,560	–
Employee benefits	D1	261	187
Total non-current liabilities		17,204	3,710
Total liabilities		28,133	11,980
Net assets		54,250	52,997
EQUITY			
Issued capital	F3	26,071	25,921
Reserves		437	581
Retained earnings		27,742	26,495
Total equity		54,250	52,997

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

* Refer to the change in accounting policy in Note H5

Consolidated Statement of Changes in Equity

For the year ended 30 June 2020

	Note	Share Capital $'000	Foreign currency translation reserve $'000	Share based payments reserve	Retained earnings $'000	Total equity $'000
Balance at 1 July 2019		25,921	237	344	26,495	52,997
Total comprehensive income for the year						
Profit for the year		–	–	–	13,049	13,049
Other comprehensive income		–	(324)	–	–	(324)
Total comprehensive income		–	(324)	–	13,049	12,725
Transactions with owners, recorded directly in equity						
Employee share-based payments	D3	150	–	180	–	330
Dividends paid	F4	–	–	–	(11,802)	(11,802)
Total transactions with owners		150	–	180	(11,802)	(11,472)
Balance at 30 June 2020		**26,071**	**(87)**	**524**	**27,742**	**54,250**
Balance at 1 July 2018		25,921	340	125	20,089	46,475
Total comprehensive income for the year						
Profit for the year		–	–	–	14,206	14,206
Other comprehensive income		–	(103)	–	–	(103)
Total comprehensive income		–	(103)	–	14,206	14,103
Transactions with owners, recorded directly in equity						
Employee share-based payments	D3	–	–	219	–	219
Dividends paid	F4	–	–	–	(7,800)	(7,800)
Total transactions with owners		–	–	219	(7,800)	(7,581)
Balance at 30 June 2019		25,921	237	344	26,495	52,997

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2020

	Note	2020 $'000	2019 $'000
Cash flows from operating activities			
Cash receipts from customers		62,271	65,295
Government COVID-19 grants received		3,512	–
Cash paid to suppliers and employees		(45,460)	(42,898)
Cash generated from operating activities		20,323	22,397
Interest paid		(413)	(71)
Income tax paid		(3,741)	(3,675)
Net cash from operating activities	C1	16,169	18,651
Cash flows from investing activities			
Government grant income received		1,040	–
Interest received		39	49
Proceeds from sale of property, plant and equipment		19	11
Payments for property, plant and equipment		(7,763)	(5,985)
Net cash used in investing activities		(6,665)	(5,925)
Cash flows from financing activities			
Dividends paid		(11,802)	(7,800)
Proceeds from borrowings		5,000	3,503
Payment of finance lease liabilities		(116)	(257)
Payment of right of use lease liabilities		(1,554)	–
Net cash used in financing activities		(8,472)	(4,554)
Net increase in cash and cash equivalents		1,032	8,172
Cash and cash equivalents at 1 July		20,223	12,110
Effect of exchange rate fluctuations on cash held		(450)	(59)
Cash and cash equivalents at 30 June	C1	20,805	20,223

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

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 2020 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group Entities").

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

The Company's registered office and principal place of business is 103 Lahrs Road, Ormeau, Queensland 4208. The Group is a for-profit entity for the purposes of preparing these financial statements.

A2 Basis of preparation

(a) Statement of compliance

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

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

The financial statements were approved by the Board of Directors on 20th August 2020.

(b) Functional and presentation currency

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

(c) Use of estimates and judgements

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

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

Information about critical judgements, estimates and assumptions in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the Notes B3 (Government grants), C3 (Inventories) and C7 (Intangible assets).

A3 Significant accounting policies

Apart from the first time adoption of AASB 16 and change in accounting policy as described in Note H5, the accounting policies set out in Section I to the consolidated financial statements have been applied consistently to all periods presented in these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

SECTION B BUSINESS PERFORMANCE

B1 Operating segments

The Group has two strategic divisions, which are its operating segments. These divisions offer different products and services, and are managed separately because they require different technology, apply contrasting marketing strategies and cater to different markets.
The following summary describes the operations of each reportable segment.

Operating segments	Operations
PWR Performance Products	Designing and manufacturing high end racing products and automotive aftermarket products for non-USA markets.
C&R	Designing and manufacturing racing and OEM products primarily for the USA market.

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 a margin.

	PWR Performance Products		C&R		Total	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Revenue from sale of manufactured products	49,635	52,070	15,408	12,691	65,043	64,761
Revenue from services	525	433	163	217	688	650
External revenues	50,160	52,503	15,571	12,908	65,731	65,411
Inter-segment revenues	923	1,676	1,987	3,994	2,910	5,670
Segment revenue	51,083	54,179	17,558	16,902	68,641	71,081
Operating EBITDA[1]	20,494	20,399	2,792	1,487	23,286	21,886
Significant Items (refer to Note B3)	–	–	–	–	–	–
Depreciation and amortisation	(3,126)	(1,433)	(1,578)	(1,037)	(4,704)	(2,470)
Segment profit/(loss) before interest and tax	17,368	18,966	1,214	450	18,582	19,416
Capital expenditure	7,259	5,038	504	941	7,763	5,979

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

	2020 $'000	2019 $'000
Reconciliation of reportable segment profit or loss		
Revenues		
Total revenue for reportable segments	68,641	71,081
Elimination of inter-segment revenue	(2,910)	(5,670)
Consolidated revenue	65,731	65,411
Profit before tax		
Profit before tax for reportable segments	18,523	19,416
Elimination of inter-segment loss/(profit)	144	(123)
Net finance (costs)/income	(432)	543
Consolidated profit before tax	18,235	19,836

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. Three customers in the PWR Performance segment comprise 26% of Group's revenue for the year ended 30 June 2020 (2019 – Three customers comprised 27%).

The information below is an analysis of the Group's revenue on the basis of the location of the Group's customers.

	2020		2019	
	Revenue $'000	Non-current assets(i) $'000	Revenue $'000	Non-current assets(i) $'000
Australia	8,434	33,210	6,836	20,511
USA	15,648	11,109	13,268	9,832
UK	21,008	11	22,703	11
Italy	8,808	–	8,827	–
Germany	4,196	–	7,044	–
Other Countries	7,637	–	6,733	–
	65,731	44,330	65,411	30,354

(i) Excluding deferred tax assets.

B2 Revenue and other income

	Note	2020 $'000	2019 $'000
Revenue from contracts with customers			
Sales of goods		65,043	64,761
Rendering of services		688	650
		65,731	65,411
Other income			
R&D tax incentive		607	600
Government grants	B3	3,512	–
		4,119	600

B3 Expenses and Income

Significant items

During the year, the Group received Government assistance for COVID-19 in Australia through the JobKeeper programme and at C&R in the USA through the Pay Check Protection Program. The Pay Check Protection Program comprises a loan which is eligible for forgiveness to the extent proceeds are used on eligible payments. The Group has accounted for the forgivable loan as a grant as the company is believed to have complied with the requirements for loan forgiveness.

	2020 $'000	2019 $'000
JobKeeper assistance	1,743	–
Pay Check Protection Program	1,769	–
Total before tax assistance	3,512	–

SECTION B BUSINESS PERFORMANCE (continued)

Research and Development

The Group recognised $7,259,654 (2019 : $8,985,006) as an expense in relation to its research and development activities. This is included in employee expenses, raw materials, consumables and overheads in the income statement.

B4 Finance income and finance costs

	2020 $'000	2019 $'000
Interest income	39	49
Profit on sale of assets	58	–
Net foreign exchange gain	–	565
Finance income	97	614
Interest expense	(147)	(71)
Net foreign exchange loss	(116)	–
Right of use deemed interest	(266)	–
Finance costs	(529)	(71)
Net finance income/(costs)	(432)	543

B5 Earnings per share

	2020	2019
Basic and diluted earnings per share	13.04 cents	14.21 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 $13,048,905 (2019: $14,205,702).

Weighted average number of ordinary shares	2020 No.	2019 No.
Issued ordinary shares at 1 July	100,000,000	100,000,000
Weighted number of ordinary shares at 30 June	100,058,462	100,000,000

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

SECTION C OPERATING ASSETS AND LIABILITIES

C1 Cash and cash equivalents

	2020 $'000	2019 $'000
Bank balances	20,805	20,223
Cash and cash equivalents in the statement of cash flows	20,805	20,223

Reconciliation of cash flows from operating activities

	2020 $'000	2019 $'000
Cash flows from operating activities		
Profit for the year	13,049	14,206
Adjustments for:		
Depreciation and amortisation	4,705	2,470
Research & development tax credit	607	600
Unrealised foreign exchange loss/(gain)	394	(342)
Share based remuneration	330	(219)
(Profit)/Loss on sale of property, plant and equipment	–	(4)
Changes in:		
Trade and other receivables	(2,243)	(635)
Inventories	663	(406)
Trade and other payables	71	920
Other assets	(1,349)	297
Employee benefits	548	370
Other	(14)	(14)
Tax balances	(592)	1,408
Net cash from operating activities	16,169	18,651

C2 Trade and other receivables

	2020 $'000	2019 $'000
Trade receivables	6,923	4,688
Trade receivables due from related parties (refer Note H2)	9	1
	6,932	4,689

Provisioning for trade receivables has been assessed considering known factors including COVID – 19 and is consistent with prior reporting periods. No impairment is considered necessary.

C3 Inventories

	2020 $'000	2019 $'000
Raw materials	2,924	2,721
Work in progress	898	683
Finished goods	3,799	4,283
Consumables	98	320
Allowance for inventory obsolescence	(1,191)	(813)
	6,528	7,194

The cost of inventories sold and recognised as an expense during the year end 30 June 2020 was $31,330,228 (2019 : $31,147,358).

SECTION C OPERATING ASSETS AND LIABILITIES (continued)

C4 Other assets

	2020 $'000	2019 $'000
Prepayments	715	1,252
Deposits	490	311
Other assets (including JobKeeper receipts)	1,707	–
	2,912	1,563

C5 Property, plant and equipment

	2020 $'000	2019 $'000
Plant and equipment – at cost	29,324	24,844
Accumulated depreciation	(12,809)	(10,125)
	16,515	14,719
Motor vehicles – at cost	351	349
Accumulated depreciation	(309)	(292)
	42	57
Under construction	3,811	574
	20,368	15,350

Reconciliations

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

2020	Plant and equipment $'000	Motor vehicles $'000	Under construction $'000	Total $'000
Cost				
Opening balance	24,844	349	574	25,767
Additions	7	–	7,756	7,763
Transfers	4,521	–	(4,521)	–
Disposals	(247)	–	–	(247)
Effect of movements in exchange rates	199	2	2	203
Closing balance	29,324	351	3,811	33,486
Accumulated depreciation				
Opening balance	10,125	292	–	10,417
Disposals	(231)	–	–	(231)
Depreciation	2,866	15	–	2,881
Effect of movements in exchange rates	49	2	–	51
Closing balance	12,809	309	–	13,118
Net carrying amount	16,515	42	3,811	20,368

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

SECTION C OPERATING ASSETS AND LIABILITIES (continued)

2019	Plant and equipment $'000	Motor vehicles $'000	Under construction $'000	Total $'000
Cost				
Opening balance	18,640	375	500	19,515
Additions	28	–	5,951	5,979
Transfers	5,886	–	(5,886)	–
Disposals	(54)	(31)	–	(85)
Effect of movements in exchange rates	344	5	9	358
Closing balance	24,844	349	574	25,767
Accumulated depreciation				
Opening balance	7,656	286	–	7,942
Disposals	(54)	(25)	–	(79)
Depreciation	2,446	26	–	2,472
Effect of movements in exchange rates	77	5	–	82
Closing balance	10,125	292	–	10,417
Net carrying amount	14,719	57	574	15,350

The plant and equipment balance as at 30 June 2020 includes assets with carrying amounts of $229,200 under finance lease (2019: $226,635). During the year, the Group did not acquire any assets under finance lease (2019: NIL).

C6 Right of Use Lease Assets and Liabilities

	Note	Land and Buildings $'000	Total $'000
Right of Use Lease Assets:			
Balance at beginning of year		–	–
Additions to right-of-use assets		10,674	10,674
Amortisation charge for the year		(1,824)	(1,824)
Effect of movements in exchange rates		78	78
Balance at end of year	H5	8,928	8,928
Right of Use Lease Liability:			
Balance at beginning of year		–	–
Additions to right-of-lease liabilities		10,674	10,674
Deemed interest		266	266
Rental payments made		(1,803)	(1,803)
Effect of movements in exchange rates		76	76
Balance at the end of year	H5	9,213	9,213
Right of Use lease Liability:			
Total Current		1,653	1,653
Non-Current 1-2 years		1,759	1,759
Non-Current 2-5 years		5,801	5,801
		9,213	9,213

SECTION C OPERATING ASSETS AND LIABILITIES (continued)

C7 Intangible assets

	Note	Goodwill $'000	Trademarks $'000	Total $'000
2020				
Cost		4,049	10,985	15,034
Accumulated amortisation		–	–	–
		4,049	10,985	15,034
2019				
Cost		4,018	10,985	15,003
Accumulated amortisation		–	–	–
		4,018	10,985	15,003
Reconciliation				
2020				
Carrying amount at beginning of year		4,018	10,985	15,003
Effect of movements in exchange rates		31	–	31
Balance at the end of the year		4,049	10,985	15,034
2019				
Change in accounting policy	H5	766	–	766
Carrying amount at beginning of year		3,117	10,985	14,102
Effect of movements in exchange rates		135	–	135
Balance at the end of the year		4,018	10,985	15,003

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	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Goodwill	1,904	2,670	2,145	1,348
Trademarks	8,432	8,432	2,553	2,553
	10,336	11,102	4,698	3,901

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

SECTION C OPERATING ASSETS AND LIABILITIES (continued)

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 2021 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 estimated impact of COVID - 19 and other factors on each CGU's financial performance. For the C&R CGU, the cashflow projections include management's estimate of the expected growth from C&R's involvement in OEM programs as a cooling assembly supplier as well as growth into the automotive aftermarket. The long term growth rate used in calculating the terminal value is based on long term inflation estimates for the country and industry in which each CGU operates.

The cash flows are discounted to their present value using a pre-tax discount rate based on a weighted average cost of capital adjusted for country and industry specific risks associated with each CGU. Given the uncertainties in respect to the ongoing impact of COVID-19 and the volatility in capital markets, a risk premium for market uncertainty has been incorporated into the discount rate. Whilst adjustments have been made in the cash flow projections and discount rate to reflect the estimated impact of COVID-19, the full extent and duration of its impact remains a key estimate and judgement. Management have considered sensitivities to the recoverable amount assuming a reduction in revenue in FY21 given the impact to the Group during March – June 2020. The sensitivities applied includes a decrease in revenue of 10% for FY21 with revenue returning to forecast from FY22 onwards to determine the recoverable amount. Whilst headroom would reduce, the recoverable amount of each CGU would exceed the base value carrying amount.

Key assumptions used in the estimation of value in use over the five year period including the terminal value were:

	2020 %	2019 %
PWR Performance Products		
Discount rate – pre tax	13.6%	14.6%
Terminal value growth rate	2.0%	2.0%
Revenue – compound annual growth rate	2.0%	2.0%
Average EBITDA margin	35.6%	35.7%
C&R		
Discount rate – pre tax	11.5%	13.5%
Terminal value growth rate	2.0%	2.0%
Revenue – compound annual growth rate	5.2%	5.5%
Average EBITDA margin	16.4%	15.1%

Should COVID-19 result in a further shut down of operations, no material impact is expected on the carrying value of the respective CGUs unless the shutdown was for an extended period of time. Reasonably possible changes in assumptions would not result in an impairment.

C8 Trade and other payables

Trade and other payables are carried at amortised cost.

	2020 $'000	2019 $'000
Trade payables	2,077	2,383
Other payables	2,693	2,429
	4,770	4,812

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

SECTION D EMPLOYEE BENEFITS

D1 Employee benefits

	2020 $'000	2019 $'000
Current		
Annual leave liability	1,538	1,487
Long service leave liability	512	420
	2,050	1,907
Non-current		
Long service leave liability	261	187

During the year ended 30 June 2020, the Group contributed $1,315,553 (2019: $1,151,394) to defined contribution plans. These contributions are included in employee expenses in the statement of profit or loss and other comprehensive income.

D2 Key management personnel compensation

Key management personnel compensation comprised the following:

	2020 $'000	2019 $'000
Short-term employee benefits	1,990	2,067
Termination benefits	56	–
Post-employment benefits	161	132
Share based payments	91	155
Other long-term benefits	18	9
	2,316	2,363

D3 Share based payments

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

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

Vesting of the performance rights approved during the year is subject to meeting a 3 year service condition and achievement of performance hurdles (based on either an EPS growth target or total shareholder return (TSR) ranking). The performance period for the rights issued is from 1 July 2019 to 30 June 2022.

46,486 (2019 : 162,790) performance rights were issued to key management personnel during the year with 50% subject to the EPS performance hurdle and 50% subject to the TSR performance hurdle. At 30 June 2020, all of these performance rights remain on issue.

In accordance with the Group's accounting policy, the grant date fair values of the rights issued will be recognised as an expense over the vesting period. An expense of $330,000 (2019: $219,000) 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 2020

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:

	2020		2019	
	TSR component	EPS component	TSR component	EPS component
Fair value at grant date	$1.82	$2.68	$1.82	$2.68
Share price at grant date	$2.90	$2.90	$2.90	$2.90
Exercise price	Nil	N/A	Nil	N/A
Expected volatility	34%	N/A	34%	N/A
Risk free rate	2.03%	N/A	2.03%	N/A
Expected life	3 years	3 years	3 years	3 years
Expected dividends	2.66%	2.66%	2.66%	2.66%

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

	2020 $'000	2019 $'000
Current tax expense		
Current period	5,107	5,238
(Over)/under provision in prior period	–	(1)
	5,107	5,237
Deferred tax expense		
Origination and reversal of temporary differences	79	393
Total income tax expense	5,186	5,630
Numerical reconciliation between tax expense and pre-tax accounting profit		
Profit for the period	13,049	14,206
Total income tax expense	5,186	5,630
Profit excluding income tax	18,235	19,836
Income tax using the Company's domestic tax rate of 30%	5,470	5,951
Tax effect of R&D benefit	(182)	(180)
Effect of tax rates in foreign jurisdictions	(224)	(212)
Other	122	71
	5,186	5,630

SECTION E TAXATION (continued)

E2 Tax assets and liabilities

Current tax assets and liabilities

The current tax liability of $1,885,681 (2019: $1,293,174) represents the amount of income tax payable in respect of current and prior periods to the relevant tax authority.

	Net balance at 1 July $'000	Recognised in profit or loss $'000	Net $'000	Deferred tax assets $'000	Deferred tax liabilities $'000
2020					
Property, plant and equipment	(1,060)	(384)	(1,444)	–	(1,444)
Intangible assets	(766)	19	(747)	654	(1,401)
Employee benefits	681	103	784	784	–
Accruals	–	8	8	8	–
Inventories	404	(60)	344	575	(230)
Unrealised foreign exchange	(484)	115	(368)	1	(369)
Tax losses	2,198	95	2,293	2,293	–
Capital raising costs	227	(227)	–	–	–
Other items	(245)	250	6	390	(385)
Net tax assets/(liabilities)	955	(79)	876	4,705	(3,829)
2019					
Property, plant and equipment	(312)	(748)	(1,060)	–	(1,060)
Intangible assets	766	–	(766)	–	(766)
Employee benefits	595	86	681	681	–
Accruals	24	(24)	–	–	–
Inventories	418	(14)	404	555	(151)
Unrealised foreign exchange	(211)	(273)	(484)	1	(485)
Tax losses	1,200	998	2,198	2,198	–
Capital raising costs	454	(227)	227	227	–
Other items	(54)	(191)	(245)	182	(427)
Net tax assets/(liabilities)	2,880	(393)	955	3,844	(2,889)

The Group's tax losses recognised as a deferred tax asset arise from its US operations. Management considers that based on the Group's plans for this business, it is probable that future taxable profits will be generated against which the tax losses can be recovered (Refer Note H5 for restatement details).

SECTION F CAPITAL STRUCTURE AND BORROWINGS

F1 Loans and borrowings

	2020 $'000	2019 $'000
Current		
Finance lease liability	229	119
Non-current		
Finance lease liability	–	108
Multi-currency facility loans	8,585	3,415
	8,585	3,523

The multi-currency facility loans are denominated in AUD and GBP. Interest on the AUD loan is charged quarterly at 2.10% pa and the GBP loan is based on GBP 3 month LIBOR rates plus a margin.

Reconciliation of movements in liabilities to cash flows arising from financing activities

	2019 Carrying Value $'000	Cash flows $'000	Non-cash changes Foreign exchange movements $'000	2020 Carrying Value $'000
Long term borrowings (GBP)	3,415	–	170	3,585
Long term borrowings (AUD)	–	5,000	–	5,000
Lease liabilities	227	–	2	229
Total liabilities from financing facilities	3,642	5,000	172	8,814

Finance facilities

The terms and conditions of the Group's finance facilities at 30 June 2020 were as follows:

				2020		2019	
Facility	Currency	Nominal interest rate	Maturity	Facility limit $'000	Carrying amount $'000	Facility limit $'000	Carrying amount $'000
Trade finance	AUD	Variable	2023	-	–	750	–
Corporate credit card	AUD	Variable	2023	100	–	100	–
	USD	Variable	–	100	–	100	–
Finance lease	AUD	5.4%-8.2%	2023	7,500	229	7,500	227
Multi-currency facility	AUD	Varies	2023	20,000	8,585	10,000	3,415

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.

SECTION F CAPITAL STRUCTURE AND BORROWINGS (continued)

Finance leases

Finance lease liabilities are payable as follows:

	Future minimum lease payments		Interest		Present value of minimum lease payments	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Less than one year	232	131	3	12	229	119
Between one and five years	–	110	–	2	–	108
	232	241	3	14	229	227

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

F2 Deferred income

	Note	2020 $'000	2019 $'000
Less than one year		208	–
Between one and five years		798	–
Balance at end of year	I15	1,006	–

Government grants

The Group was awarded a government grant which was received during the current period. This grant amounted to $1.04m and has been recognised as deferred income. The grant is being amortised over the useful life of the equipment in relation to which the grant was provided.

F3 Capital and reserves

	2020		2019	
Share capital	No. of shares	$'000	No. of shares	$'000
Ordinary shares				
Balance at beginning of year	100,000,000	25,921	100,000,000	25,921
Issue of shares on vesting of FY17 performance rights	87,694	150	–	–
Balance at end of year	100,087,694	26,071	100,000,000	25,921

Capital management

The Board aims to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the capital base as well as the level of dividends to ordinary shareholders. There were no changes in the Group's approach to capital management during the year.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

SECTION F CAPITAL STRUCTURE AND BORROWINGS (continued)

F4 Dividends

Dividends recognised by the Company are:

	Cents per share $	Total amount $	Franked/ unfranked	Date of payment
2020				
Interim 2020 ordinary	1.90	1,901,666	Franked	27 March 2020
Final 2019 ordinary	6.90	6,900,000	Franked	19 September 2019
Special 2019	3.00	3,000,000	Franked	19 September 2019
Total amount		11,801,666		
2019				
Interim 2019 ordinary	1.60	1,600,000	Franked	5 April 2019
Final 2018 ordinary	6.20	6,200,000	Franked	14 September 2018
Total amount		7,800,000		

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

Dividend franking account

	2020	2019
30 percent franking credits available to shareholders of PWR Holdings Limited	425,869	1,483,687

At 30 June 2020, the franking credits of the Group were 3,109,903 (2019: 5,172,544).

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.

F5 Commitments

Operating leases

The Group leases its office and factory facilities under operating leases. Operating lease commitments previously reported under AASB117 were $11,694,558 and are now accounted for using AASB16 Leases. Refer to Note H5 for further details.

Other commitments

At 30 June 2020, the Group had agreed to purchase plant and equipment for $4.9 million (2019: $2.0 million) within 12 months.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

SECTION G GROUP STRUCTURE

G1 Parent entity information

As at and throughout the financial year ended 30 June 2020, the parent and ultimate parent entity of the Group was PWR Holdings Limited.

Statement of profit or loss and other comprehensive income	2020 $'000	2019 $'000
Profit/(Loss) after income tax	10,896	11,244
Total comprehensive income	10,896	11,244
Statement of financial position		
Total current assets	50	23
Total non-current assets	30,575	31,137
Total assets	30,625	31,160
Total current liabilities	202	163
Total non-current liabilities	–	–
Total liabilities	202	163
Net assets	30,423	30,997
Equity		
Issued capital	26,071	25,921
Reserves	524	344
Retained earnings	3,828	4,732
Total equity	30,423	30,997

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 2020.

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.

		Ownership interest	
	Country of incorporation	2020 %	2019 %
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
PWR EU B.V.	Netherlands	100	100

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

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

The subsidiaries subject to the Deed are:

PWR Performance Products Pty Ltd

PWR IP Pty Ltd

Both 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 2020 is set out below.

Statement of profit or loss and other comprehensive income	2020 $'000	2019 $'000
Revenue	45,179	46,659
Other income	2,350	600
Raw materials and consumables used	(6,889)	(7,012)
Employee expenses	(19,178)	(17,574)
Occupancy expenses	(355)	(1,459)
Other expenses	(2,459)	(2,153)
Profit before depreciation, net finance costs and income tax	18,648	19,061
Depreciation and amortisation	(3,119)	(1,423)
Profit before net finance costs and income tax	15,529	17,638
Finance income	1,831	2,955
Finance costs	(1,791)	(1,536)
Net finance income/(costs)	40	1,419
Profit before income tax	15,569	19,057
Income tax expense	(4,628)	(5,609)
Profit for the year attributable to equity holders of the parent	10,941	13,448
Total comprehensive income for the year	10,941	13,448
Retained earnings at beginning of year	26,962	18,771
Transfers to and from reserves	(1,041)	(172)
Dividends recognised during the year	(11,802)	(5,085)
Retained earnings at end of year	25,060	26,962

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

SECTION G GROUP STRUCTURE (continued)

Statement of financial position	2020 $'000	2019 $'000
Assets		
Current assets		
Cash and cash equivalents	9,661	14,571
Trade and other receivables	9,940	11,191
Inventories	3,988	4,120
Other assets	–	–
Total current assets	23,589	29,882
Non-current assets		
Property, plant and equipment	14,975	9,526
Right of use lease assets	6,484	–
Intangible assets	11,751	10,985
Related party loans	12,240	9,471
Investments in subsidiaries	7,142	1,944
Deferred tax assets	337	1,362
Total non-current assets	52,929	33,288
Total assets	76,518	63,170
Liabilities		
Current liabilities		
Trade and other payables	2,432	1,876
Loans and borrowings	229	119
Right of use lease liabilities	1,209	–
Employee benefits	1,895	1,790
Deferred income	208	–
Tax liabilities	1,051	800
Provisions	92	99
Total current liabilities	7,116	4,684
Non-current liabilities		
Loans and borrowings	8,585	3,523
Right of use lease liabilities	5,487	–
Deferred income	798	–
Deferred tax liabilities	1,511	1,511
Employee benefits	262	187
Total non-current liabilities	16,643	5,221
Total liabilities	23,759	9,905
Net assets	52,759	53,265
Equity		
Issued capital	26,071	25,921
Reserves	1,628	382
Retained earnings	25,060	26,962
Total equity	52,759	53,265

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

SECTION H OTHER INFORMATION

H1 Financial risk management

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

- credit risk
- liquidity risk
- market risk

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

Risk management framework

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

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

Credit risk

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

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

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

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

		Carrying amount	
	Note	2020 $'000	2019 $'000
Cash and cash equivalents	C1	20,805	20,223
Trade and other receivables	C2	6,932	4,689
		27,737	24,912

Cash and cash equivalents

The Group held cash and cash equivalents of $20,804,705 at 30 June 2020 (2019: $20,223,016), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with bank and financial institution counterparties, which are rated A to AA-, based on independent rating agency ratings.

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.

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 2020 $'000	Carrying amount 2019 $'000
Australia	975	647
UK	4,328	2,574
USA	1,629	1,468
	6,932	4,689

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

Not past due	5,820	3,487
Past due 1-30 days	1,059	1,148
Past due 31-60 days	6	34
Past due > 61 days	47	20
	6,932	4,689
Provision for impairment	–	–
	6,932	4,689

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. Management's analysis of customer credit risk has considered the estimated impact of COVID-19 on the economic environment and its assessment of expected credit losses. No impairment losses were recognised in respect of trade and other receivables during the year (2019: 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: (refer Note F1)

- A$20,000,000 foreign currency advance facility (multicurrency);
- A$7,500,000 asset finance facility;
- A$100,000 corporate credit card facility; and
- USD$100,000 corporate credit card facility.

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 $'000	Total $'000	Contractual cash flows 12 months $'000	1-5 years $'000
2020					
Trade and other payables	C8	4,770	(4,770)	(4,770)	–
Foreign currency loan (GBP)	F1	3,585	(3,672)	(87)	(3,585)
Local currency loan (AUD)	F1	5,000	(5,105)	(105)	(5,000)
Right of use liabilities	C6	8,660	(9,213)	(1,653)	(7,560)
Finance lease liabilities	F1	229	(232)	(232)	–
		22,244	(22,992)	(6,847)	(16,145)
2019					
Trade and other payables	C8	4,812	(4,812)	(4,812)	–
Foreign currency loan	F1	3,415	(3,756)	(68)	(3,688)
Finance lease liabilities	F1	227	(241)	(131)	(110)
		8,454	(8,809)	(5,011)	(3,798)

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.

Under the Group's financial risk management policies, the Group may use derivative financial instruments to manage its foreign currency risks. At 30 June 2020, the Group had entered into participating forward contracts to manage its exposure to sales denominated in GBP. These contracts, which settle monthly until 30 September 2020, have a total notional amount of £1.15m (2019: £10.65m) and have been accounted for at fair value through the profit and loss. The fair value at year end was an asset of $105,123 (2019: $258,036).

During the year ended 30 June 2020, the Group recognised $172,362 in realised gains and $288,506 in unrealised losses on derivatives (2019: $341,904 gain). This has been included in finance income or costs in the income statement.

SECTION H OTHER INFORMATION (continued)

Exposure to currency risk

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

		30 June 2020			30 June 2019		
	Note	AUD $'000	GBP £'000	USD $'000	AUD $'000	GBP £'000	USD $'000
Trade receivables	C2	1,145	2,255	1,193	324	1,757	829
Trade payables	C8	(682)	(305)	(476)	(433)	(812)	(306)
Foreign currency loan	F1	(5,000)	(2,000)	–	–	(2,000)	–
Net statement of financial position exposure		(4,537)	(50)	717	(109)	(1,055)	523
Notional amount of foreign currency derivatives		–	1,150	–	–	10,650	–

Sensitivity analysis

At 30th June, exchange rates used to translate the above were 0.5579 to the GBP 0.6854 to the USD (2019: 0.5524 to the GBP and 0.7012 to the USD). 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 2019, using consistent foreign exchange rate variances, as indicated below.

	Profit or loss (net of tax)		Equity (net of tax)	
	Strengthening $'000	Weakening $'000	Strengthening $'000	Weakening $'000
30 June 2020				
GBP (10% movement)	6	(6)	6	(6)
USD (10% movement)	(73)	67	(73)	67
30 June 2019				
GBP (10% movement)	133	(29)	133	(29)
USD (10% movement)	(52)	47	(52)	47

SECTION H OTHER INFORMATION (continued)

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	
Fixed rate instruments	**Note**	**2020 $'000**	**2019 $'000**
Financial liabilities		(229)	(227)
		(229)	(227)
Variable rate instruments			
Financial assets	C1	20,805	20,223
Financial liabilities	F1	(8,585)	(3,415)
		12,220	16,808

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 $'000	**100bp decrease $'000**	**100bp increase $'000**	**100bp decrease $'000**
30 June 2020				
Variable rate instruments	85	(85)	85	(85)
Cash flow sensitivity (net)	85	(85)	85	(85)
30 June 2019				
Variable rate instruments	117	(117)	117	(117)
Cash flow sensitivity (net)	117	(117)	117	(117)

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

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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:

		Transaction values during the year		Balance outstanding Receivable/(Payable)	
Entity	Transaction	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Bayswater Road Radiators Pty Ltd(i)	Sales of goods	45	30	9	1
Triple Eight Race Engineering Pty Ltd(ii)	Sales of goods	2	4	–	–

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

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

H3 Auditor Remuneration

	2020 $	2019 $
Audit services		
Auditors of the Group – KPMG		
Audit and review of financial statements	144,000	147,500
Accountability GB		
Audit and review of financial statements – controlled entities	14,075	14,000
Other services		
Auditors of the Group - KPMG		
IT Advisory services	68,407	39,607
Other auditors		
Accountability GB		
Taxation services	–	2,407

H4 Subsequent events

The Board declared a fully franked final ordinary dividend of 4.0 cents per share. The financial effect of the 2020 declared final dividend has not been brought to account in the consolidated financial statements for the year ended 30 June 2020.

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.

SECTION H OTHER INFORMATION (continued)

H5 New accounting standards

Changes in accounting policies -new standards and interpretations adopted

The accounting policies applied in these financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 30 June 2019, except as described below. A number of other new standards are effective from 1 July 2019 but they do not have a material effect on the Group's financial statements.

AASB 16 Leases

AASB 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group has applied AASB 16 using the modified retrospective approach under which the right of use asset and lease liability will be equal on the date of initial application. Accordingly, the comparative information presented for 2019 has not been restated – i.e. it is presented, as previously reported, under AASB 117 and related interpretations. The details of the changes in accounting policies are disclosed below.

a. Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under Interpretation 4 Determining Whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under AASB 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to AASB 16, the Group elected to grandfather the assessment of which transactions are leases. It applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 and Interpretation 4 were not reassessed.

b. As a Lessee

The Group leases assets, including properties and machinery. As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under AASB 16, the Group recognises right of use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

However, the Group has elected not to recognise right of use assets and lease liabilities for some leases of low-value assets. These were short term operating leases and specifically exempt (Note H5 (e)). The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

c. Significant accounting policies

The Group recognises a right of use asset and a right of use lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right of use asset is subsequently depreciated using the straight-line and/or diminishing value basis from the commencement date to the end of the lease term. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. The Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Where applicable, the Group has applied some judgement to determine the lease term for some lease contracts which include renewal options or terminations. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which affects the amount of lease liabilities and right-of-use assets recognised.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

SECTION H OTHER INFORMATION (continued)

d. Transition

Previously, the Group classified property leases as operating leases under AASB 117. These include warehouse and factory facilities. The leases typically run for a period of 5-10 years. Some leases include an option to renew the lease for an additional period after the end of the non-cancellable period. Some leases provide for additional rent payments that are based on changes in local price indices.

At transition, for leases classified as operating leases under AASB 117, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 July 2019. Right of use assets are measured at the carrying amount of the lease liabilities.

The Group used the following practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117.

- Applied the exemption not to recognise right of use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The Group leases a number of items of production equipment. These leases were classified as finance leases under AASB 117. Where applicable, the carrying amount of the right of use asset and the lease liability at 1 July 2019 for these finance leases were determined at the carrying amount of the lease asset and lease liability under AASB 117 immediately before that date.

e. Impacts on financial statements

i. Impact on transition

On transition to AASB 16, the Group recognised additional right of use assets and right of use lease liabilities.

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted-average rate applied was 2.96%.

	$000's
Operating lease commitments at 30 June 2019 as disclosed in The Group's consolidated financial statements	11,771
Discounted using the incremental borrowing rate at 30 June 2019	10,709
Recognition exemption for:	
– Short term leases	(35)
Lease liabilities recognised at 1 July 2019	10,674

A reconciliation of lease liabilities from transition is as follows:

	$000's
On transition at 1 July 2019	10,674
Rental payments made	(1,803)
Deemed interest	266
Exchange rate fluctuations	76
Carrying value at 30 June 2020	9,213

SECTION H OTHER INFORMATION (continued)

A reconciliation of right of use lease assets from transition is as follows:

	$000's
On transition at 1 July 2019	10,674
Amortisation	(1,824)
Exchange rate fluctuations	78
Carrying value at 30 June 2020	8,928

ii. Impacts for the period

As a result of initially applying AASB 16, in relation to the leases that were previously classified as operating leases, the Group recognised $10,674,067 of right-of-use assets and $10,674,067 of right of use lease liabilities as at 1 July 2019.

In addition, in relation to those leases under AASB 16, the Group has recognised depreciation and interest costs, instead of operating lease expense. During the period ended 30 June 2020, the Group recognised $1,823,691 of amortization charges and $266,375 of interest costs from these leases (refer Note C6).

Income taxes – Multiple tax consequences of recovering an asset

In May 2020, the IFRS Interpretations Committee (IFRS IC) published its final agenda decision 'Multiple Tax Consequences of Recovering an Asset (IAS 12 Income taxes)' which considers how an entity accounts for deferred taxes on an asset that has two distinct consequences over its life that cannot be offset (taxable economic benefits from use and capital gains on disposal or expiry). The IFRS IC concluded that in these circumstances an entity identifies separate tax consequences of recovering the assets carrying amount.

The Group's accounting policy has been to consider these two tax consequences of recovering the assets carrying amount together as they crystallised over the assets life, irrespective of how the asset was recovered. This accounting policy does not align with the IFRS IC agenda decision.

As a result of the IFRS IC agenda decision, the Group has changed its accounting policy, retrospectively adjusting the deferred tax accounting for impacted intangibles. The impact of this change in accounting policy in the comparative reporting period and the beginning of the earliest period presented are below (Note C7).

Consolidated statement of financial position (As at 30 June 2019)	Previously reported $'000	Adjustments $'000	Restated $'000
Assets			
Goodwill	3,252	766	4,018
Deferred tax assets	1,721	(766)	955

The change in accounting policy had no impact on the consolidated statement of profit or loss and other comprehensive income and statement of cash flows for the year ended 30 June 2019.

New Standards and Interpretations Not Yet Adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2020 reporting and have not been early adopted by the Group.

The most significant of these to the Group are 2019-1 AASB Amendments to Accounting Standards- References to the Conceptual Framework, AASB 2018-6 Amendments to Australian Accounting Standards- Definition of a Business and AASB 2017-7 Amendments to Australian Accounting Standards- Definition of Material.

The Group has not yet considered the estimated impact that these Amendments to Australian Accounting Standards will have on its consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

SECTION I SIGNIFICANT ACCOUNTING POLICIES

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

1 Basis of consolidation

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

Transactions eliminated on consolidation
Intra-group balances and transactions, and any unrealised income and expenses arising from intra- group transactions, are eliminated.

2 Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of the Groups' entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at transaction or balance 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 consolidated 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 (AUD) at exchange rates at the dates of the transactions.

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

3 Revenue

Sale of goods
For the sale of manufactured products, revenue is recognised at the point in time that the performance obligation is satisfied which is generally on shipment of the goods to the customer from the Group's warehouse.

Rendering of services
For services, including wind tunnel testing and freight, revenue is recognised over time as those services are provided.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

SECTION I SIGNIFICANT ACCOUNTING POLICIES (continued)

4 Employee benefits

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

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

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

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

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

5 Finance income and finance costs

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

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

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

6 Income Tax

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

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of goodwill, the initial recognition of assets and liabilities that affect neither accounting nor taxable profit, and difference relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

SECTION I SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

7 Inventories

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

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

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

8 Property, plant and equipment

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

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

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

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

Subsequent costs

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

Depreciation

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

The estimated useful lives are as follows:

	2020	2019
Plant and equipment	2-10 years	2-10 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 2020

SECTION I SIGNIFICANT ACCOUNTING POLICIES (continued)

9 Intangible assets and goodwill

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

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

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

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

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

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

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

10 Share capital

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

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

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

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

SECTION I SIGNIFICANT ACCOUNTING POLICIES (continued)

11 Provisions

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

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

12 Leases

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

Assets held under other leases are classified as operating leases and are recognised in the Group's statement of financial position under AASB16 (Note H5).

13 Financial instruments

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

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at reporting date.

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

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

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

Derivative financial instruments
The Group may use derivative financial instruments to manage its foreign currency exposures.

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.

SECTION I SIGNIFICANT ACCOUNTING POLICIES (continued)

14 Fair value measurements

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

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

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

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

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

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

15 Government Grants

Government grants related to assets are initially recognised as deferred income at fair value when received. They are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset to which the grant relates.

Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the periods in which the expenses are recognised.

Directors' Declaration

For the year ended 30 June 2020

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 28 to 64 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 2020 and of its performance for the financial year ended on that date; and

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

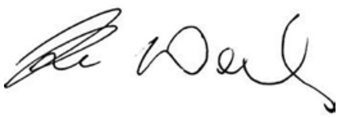
   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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 2020.

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.



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Kees Weel
Director
Brisbane
20th August 2020

Independent Auditor's Report to the Members of PWR Holdings Limited

For the year ended 30 June 2020

Independent Auditor's Report

To the shareholders of PWR Holdings Limited

Report on the audit of the Financial Report

Opinion

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

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

- giving a true and fair view of the Group's financial position as at 30 June 2020 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 2020;
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

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

Basis of 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 (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

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

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

This matter was 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 2020

Valuation of goodwill and intangible assets $15m	
Refer to Note C7 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
A key audit matter for us was the Group's annual testing of goodwill and intangible assets for impairment given the size of the balance (being 18.2% of total assets). We focused on the significant forward-looking assumptions the Group applied in their value in use models, including: • forecast cash flows – the Group has experienced business disruption as a result of COVID-19. This impacted the Group through loss of revenue during the financial year. This condition, and the uncertainty of recurrence, increases the risk of inaccurate forecasts. We focused on the expected rate of recovery from COVID-19 for the Group when assessing the feasibility of the Group's forecast cash flows. • forecast growth rates – in addition to the uncertainty described above, the C&R Cash Generating Unit (CGU) includes the Group's estimate of the expected growth from C&R's involvement in original equipment manufacture (OEM) programs. The Group's model is sensitive and negative changes to these assumptions reduces available headroom. This drives additional audit effort specific to the feasibility of forecast growth rates. • discount rate – these are complicated by nature and vary according to the conditions and environment the specific CGU is subject to from time to time, and economic and forecasting uncertainty as a result of COVID-19. The Group uses complex models in performing their annual impairment testing. These models use forward looking assumptions based on the Group's budgeting and business plans, and a range of other internal and external sources as inputs to the assumptions. Complex modelling using forward-looking assumptions tend to be prone to greater risk for potential bias, error and inconsistent application. These conditions necessitate additional scrutiny by us, in particular to address the objectivity of sources used for assumptions, and their consistent application. We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.	Our procedures included: • We considered the appropriateness of the value in use methods applied by the Group to perform the annual impairment testing of goodwill and intangible assets against the requirements of the accounting standards. • We, along with our valuation specialists, assessed the integrity of the value in use models used, including the accuracy of the underlying calculation formulas. • We compared the forecast cash flows contained in the value in use models to Board approved budgets and the Group's business plans. • We assessed the accuracy of previous Group budgets to inform our evaluation of forecasts incorporated in the models. • We considered the sensitivity of the models by varying key assumptions, such as forecast cash flows, forecast growth rates and discount rates, within a reasonably possible range. We did this 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 rate assumptions including C&R's ability to convert OEM opportunities, and market uncertainties associated with COVID-19. We used our knowledge of the Group, their past performance and our understanding of factors impacting the business and customers in which the CGUs operate in. We used the Group's recent performance to inform our assessment of the Group's recovery from COVID-19. • 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 Group, CGUs and the industry it operates in. • We assessed the disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards.

Independent Auditor's Report to the Members of PWR Holdings Limited

For the year ended 30 June 2020

KPMG

Other information

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

The Other Information we obtained prior to the date of this Auditor's Report was the Directors' Report and ASX Additional Information. The Chairman's Letter and Managing Director's Report are expected to be made available to us after the date of the Auditor's Report.

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

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

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

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

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at:
https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.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 2020

KPMG

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of PWR Holdings Limited for the year ended 30 June 2020 complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

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

Our responsibilities

We have audited the Remuneration Report included in pages 15 to 26 of the Directors' Report for the year ended 30 June 2020.

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

KPMG

KPMG

E. Neville-Stanley

Erin Neville-Stanley
Partner

Brisbane
20 August 2020

ASX Additional Information

Shareholdings as at 14 September 2020

DISTRIBUTION OF EQUITY SECURITY HOLDERS

Category	Number of Ordinary shares	Number of Security Holders
1 – 1,000	479,194	1,020
1,001 – 5,000	4,376,003	1,553
5,001 – 10,000	4,130,930	552
10,001 – 100,000	7,943,329	344
100,001 and over	83,250,318	20
	100,179,774	3,489

92 shareholders hold less than a marketable parcel of ordinary shares of 106 shares.

TWENTY LARGEST SHAREHOLDERS

	Name	Number of ordinary shares held	Percentage of capital held %
1	KPW Property Holdings Pty Ltd	17,368,500	17.34
2	JP Morgan Nominees Australia Pty Ltd	16,506,223	16.48
3	HSBC Custody Nominees (Australia) Limited	15,444,568	15.42
4	Wagon Weel Co Pty Ltd	10,000,000	9.98
5	Citicorp Nominees Pty Limited	8,297,678	8.28
6	National Nominees Limited	4,702,152	4.69
7	Mamlec Pty Ltd	3,500,000	3.49
8	BNP Paribas Nominees Pty Ltd	2,280,263	2.28
9	Neweconomy Com Au Nominees Pty Ltd	918,061	0.92
10	BNP Paribas Noms Pty Ltd	869,527	0.87
11	UBS Nominees Pty Ltd	708,243	0.71
12	Citicorp Nominees Pty Ltd	673,200	0.67
13	Weely's Pty Ltd	380,476	0.38
14	Sandhurst Trustees Ltd	377,658	0.38
15	Wask Management Pty Ltd	364,575	0.36
16	BNP Paribas Nominees Pty Ltd	236,378	0.24
17	Citicorp Nominees Pty Ltd	194,987	0.19
18	UQ Endowment Fund Ltd	160,000	0.16
19	Ms Deslea Mary Sneddon	149,191	0.15
20	Mrs Ellen Jane Gray	118,628	0.12
	Top 20 holders of ordinary fully paid shares	**83,250,318**	**83.10**
	Total remaining holders balance	**16,929,456**	**16.90**

ASX Additional Information

Shareholdings as at 14 September 2020

SUBSTANTIAL SHAREHOLDERS

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

Shareholder	Number
KPW Property Holdings Pty Ltd	17,368,500
Wagon Weel Co Pty Ltd	10,000,000
Perennial Value Management Ltd	7,906,828
Tribeca Investment Partners Pty Ltd	5,255,497

RIGHTS

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

Number of rights holders	Number of rights on issue
8	346,772

VOTING RIGHTS

Ordinary shares

Refer to Note I 11 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.

Corporate Directory

PWR Holdings Limited
ABN 85 105 326 850

Directors
Teresa Handicott
Jeffrey Forbes
Roland Dane
Kees Weel

Company Secretary
Lisa Dalton

Principal Registered Office
PWR Holdings Limited
103 Lahrs Road
Ormeau, 4208
Queensland

Locations of Share Registry
Computershare Investor Services Pty Ltd
Level 1, 200 Mary Street
Brisbane 4000
Queensland

PWR Holdings Limited

103 Lahrs Road, Ormeau, 4208 Queensland

Phone: 07 5547 1600

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