



Annual Report

2021



Global Operations



INDIANAPOLIS, USA PWR NORTH AMERICA (C&R RACING INC.)

Our Indianapolis based facility is deep-rooted in supplying world-class motorsports and performance automotive industry cooling solutions. With a history of providing components to top professional race teams and key industry organizations, our products have been proven to withstand the toughest environments.

As a leader in cooling research and development, PWR North America offers full engineering and design services with flexible on-site manufacturing, including a state of the art Controlled Atmosphere Brazing Furnace.

SILVERSTONE, UNITED KINGDOM

Based in Silverstone, England, PWR Europe extends the same broad scope of company services and cutting-edge cooling componentry that has established PWR as a worldwide resource for best-in-class cooling solutions.

From design, testing to development, our Europe facility offers access to the broad range of ever-growing technical resources that PWR prides itself on.

ORMEAU, SOUTH EAST QUEENSLAND

PWR Performance Products and PWR Advanced Cooling Technology are headquartered in South East Queensland Australia and supply innovative cooling solutions to Motorsports, Aerospace & Defence, OEM and Industrial customers around the world.

Every aspect of the manufacturing process is controlled completely within our own facility at Ormeau, which enables PWR to offer its global customers quick turn around and the unique opportunity to customize products to suit their specific needs.

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2021 Highlights

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Chairman’s Review

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Sustainability

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2021 Highlights



REVENUE

\$79.2m

Increased by 20.5%



EBITDA

\$29.0m

Increased by 23.6%



NPAT

\$16.8m

Increased by 28.7%



EARNINGS PER SHARE

16.8c

Increased by 28.6%



DIVIDENDS PER SHARE

8.80c

Increased by 49.2%



HEADCOUNT

363

Increased by 16.3%

Who we are. How we work. What we do.

PWR is a global designer, manufacturer and supplier of technically advanced high performance cooling solutions, investing in research and development to provide solutions to our customers using advanced cooling technology. We adopt a flexible manufacturing approach and take pride in supporting our customers through a truly unique system of technical partnership.

OUR VISION

The Global Leader in Cooling Technology Inspired by Engineering Excellence

OUR PURPOSE

Through passionate people and innovative solutions we lead the way in advanced cooling system design and supply, to exceed the expectations of our global partners across diverse industries.

OUR STRATEGIC GOALS

| Diversification | Efficiency | Solid Foundations |
|---|--|--|
| Profitable growth through diversification into Aerospace, Defence and Emerging Technologies | Operating model to optimise supply chain, manage risk and drive efficiency | Build capability, systems and processes to support profitable growth |

HOW WE WORK

PWR DNA

While our strategy outlines what we do to achieve our purpose, our values of respect, passion and teamwork guide how we do it. Every day, our values shape the way we behave and the standards we set for ourselves and others.



Respect

We do what we say we will do.
We always follow through.
We rely on each other to do the right thing.



Passion

We are driven to achieve our vision.
We always find a way and take pride in what we do.



Teamwork

We work together and solve problems together.
We know that together we are better.

Who we are. How we work. What we do.

continued

WHAT WE DO

We provide leading edge cooling solutions to our customers in many industries:

- Motorsport
- OEM
- Aerospace
- Automotive Aftermarket
- Defence
- Renewable Energy
- Electric and Hybrid Vehicles
- Research and Development



WELDING & FABRICATION

Quality orientated, our welders receive product specific training and adhere to multiple welding standards while maintaining quality processes in alignment with AS9100.



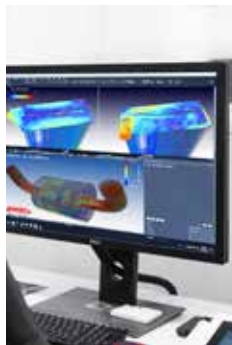
ADDITIVE MANUFACTURING AND 3-D PRINTING

PWR is leading the thermal management industry with unique additive technology which allows us to manufacture thinner structures requiring less build support to enable more complex heat exchanger and component designs with unmatched performance.



TESTING AND VALIDATION

Whether designed as product development parts or customer specific projects, PWR has the ability to test and measure a range of coolers in our Windtunnel against a series of performance criteria all under one roof, enabling accurate product validation and rapid development times.



SIMULATION

PWR relies on simulation not only to shorten the time to market of product development but also to improve the thermohydraulic performance of each product design prior to manufacture and real world validation testing.



CT SCANNING

Used primarily for research and development and quality assurance, our CT scanner opens-up a multitude of potential for further product development and non-destructive testing for external partners and research institutions.



RESEARCH AND DEVELOPMENT

PWR's research and development capabilities are constantly evolving with application of the latest advanced manufacturing technology and materials science, offering short product realisation lead times through internal capabilities.



CNC MACHINING

PWR has 3,4 and 5 axis CNC machines, including fully automated palletised systems. We have a large programming team across our two production locations allowing for 24 hour around the clock programming to deliver a high level of service to our customers.



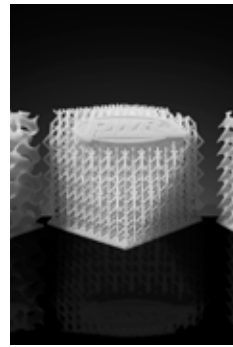
CNC SHEET METAL AND STAMPING

Hosting a significant number of sheet metal fabrication machines, PWR has increased its capabilities and technology investment to be an industry leader in sheet metal manufacturing processes, allowing our products to compete on the world stage.



VACUUM BRAZING AND HEAT TREATMENT

PWR's Aluminium Vacuum Brazing facilitates light weight heat exchangers and aluminium cold plates to be manufactured with superior structural integrity with the use of high strength alloys.



PROTOTYPING AND CUSTOM MANUFACTURING

PWR designs and manufactures prototype and custom heat exchange products for a range of market sectors such as Motorsport, Automotive, Emerging Technologies and Aerospace and Defence.



ENGINEERING AND DESIGN

PWR possesses the capability to provide turn-key cooling system solutions through an integrated engineering and design approach from prototype design, specification and simulation, through manufacture, test verification and volume production.



TOOLING, JIG, FIXTURE DESIGN AND MANUFACTURE

The tooling and fixtures required to produce our cutting-edge cooling solutions are developed by our experienced design team with a focus on ensuring that critical tolerances can be achieved with a high level of repeatability.



LOW AND HIGH VOLUME PRODUCTION

Having the ability to engage in projects from first stage prototyping allows PWR to support concepts through to production, to ensure the end product is optimized for performance and mass, whilst adhering to packaging and design constraints.



CLEAN ROOM AND ASSEMBLY SERVICES

Four isolated and environmentally controlled clean rooms allow PWR to independently manage complex precision assemblies for some of PWR's state of the art heat exchanger solutions and assembly processes.

Chairman's Review



Leveraging our expertise into new industries

I am delighted to present to you PWR's 2021 annual report.

COVID-19 continued to have an impact on PWR's business during FY2021, largely driven by customers reducing or closing their operations for a period of time and some relevant sporting events around the globe being cancelled or postponed. Kees and the PWR team, however, were agile, focused and passionate about delivering returns to shareholders and the implementation of plans in pursuit of our strategic objectives of diversification, efficiency and building solid foundations. The Board recognises that this called for extraordinary efforts from the entire workforce and the Board is deeply grateful to each and every member of the PWR team for the way they were able to remain focused on our customers and deliver innovative and high-quality products, using our advanced technology.

PWR delivered a strong result for the 2021 financial year, with NPAT of \$16.8m up 28.7% on the prior period (FY2020: \$13.1m). The Group continued to deliver on its strategic objective to build solid foundations through implementation of its ongoing capital investment program while still producing a strong return on equity at 26% (FY2020: 24%).

Cash flows remain strong and together with efficient working capital management resulted in an EBITDA to cash conversion ratio of 115% and a strong cash balance at 30 June 2021 of \$19.9m. PWR also repaid the drawn balance on its multicurrency credit facility with the full \$10 million facility limit available to draw down to support future operational requirements, if required.

Considering these results and balance sheet position, the Board has declared a fully franked final dividend of 6.0 cents per share. This takes the total dividend for FY2021 to 8.8 cents per share, an increase of 49.2% on the FY2020 final dividend.

During the year, we invested in our people and their development, leading edge technology and equipment and our systems and processes. We are committed to building the solid foundations which will enable PWR to continue to grow and diversify.

Another strategic priority this year and into the future is to leverage our motorsport knowledge and expertise into the aerospace and defence industry. This has taken a significant step forward with the achievement of AS9100 certification (Rev D). This is an independent endorsement of the quality of the processes the team has built in-house to support our growing aerospace and defence segment.

This year, Kees was named the 2021 Australian of the Year by the Australian Automotive Performance Council and we could not be more proud. A fitting accolade for a visionary leader. On behalf of the Board and the PWR team, we congratulate Kees on a career that has led him and PWR to be such exceptional representatives of the Australian Performance Automotive Industry.

Looking ahead, uncertainty is likely to persist for some time and we expect to face our share of challenges as the world continues to respond to COVID-19. Shareholders can be confident that your Board will continue to preserve our strong balance sheet and focus on creating long-term value. Kees and his team are passionate and committed to positioning PWR for further growth and success as we meet these challenges.

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

A handwritten signature in black ink, appearing to read 'T. Handicott', written over a faint, illegible printed name.

Teresa Handicott
Chairman

Managing Director's Review



Powering ahead

The 2021 financial year has seen PWR recover from the early effects of COVID-19 to deliver solid revenue and profit growth across all market sectors. We have maintained a strong balance sheet and are well prepared to deliver on opportunities in the next few years

| Financial Highlights | FY21 | FY20 | Change | |
|-------------------------------------|-------------|-------------|---------------|---|
| Revenue | \$79.2m | \$65.7m | 20.5% | ↑ |
| NPAT | \$16.8m | \$13.1m | 28.7% | ↑ |
| Ordinary DPS | 8.80 cps | 5.9 cps | 49.2% | ↑ |
| Cash on Hand | \$19.9m | \$20.8m | (4.6%) | ↓ |
| EBITDA to operating cash conversion | 115% | 94% | 21.0% | ↑ |
| Employee Headcount | 363 | 312 | 16.3% | ↑ |

REVENUE

Group revenue grew strongly in FY21 with solid growth across all key market sectors including motorsports, automotive aftermarket, automotive OEM and emerging technologies. Revenue also grew across all major geographic markets with the strongest growth in North America which grew an impressive 64.2% due to growth in automotive OEM and emerging technologies.

Unfavourable currency movements during FY21 negatively impacted revenue to the tune of 5.2%.

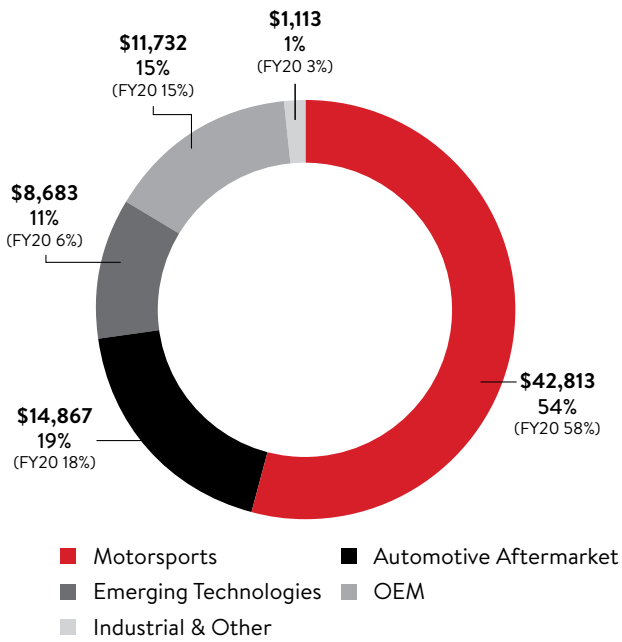
| Revenue by Market Sector | FY21 (A\$'00) | % | FY20 (A\$'00) | % | Growth |
|---------------------------------|--------------------------|-------------|--------------------------|-------------|---------------|
| Motorsports | \$42,813 | 54% | \$38,026 | 58% | 13% |
| Automotive Aftermarket | \$14,867 | 19% | \$11,554 | 18% | 29% |
| OEM | \$11,732 | 15% | \$9,956 | 15% | 18% |
| Emerging Technologies* | \$8,683 | 11% | \$4,082 | 6% | 113% |
| Industrial & Other | \$1,113 | 1% | \$2,113 | 3% | (47%) |
| | \$79,208 | 100% | \$65,731 | 100% | 21% |

* Emerging technologies includes revenue from aerospace and defence, and revenue from other market sectors generated from new technologies – cold plate, micro matrix and additive manufacturing. The sector grew 113% and now represents 11% of total revenue.

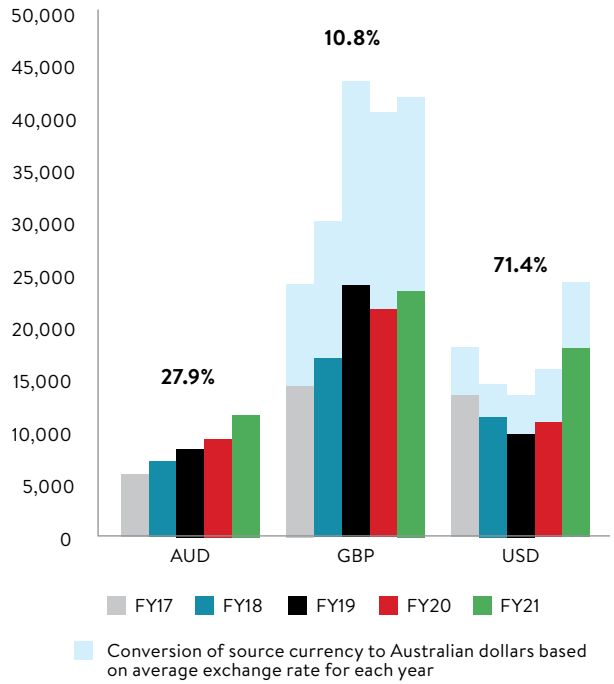
Managing Directors' Report

continued

FY21 SALES CATEGORY ANALYSIS (\$'000) (FY20 Comparatives)



THIRD PARTY REVENUE BY CURRENCY Sales to third parties by currency ('000)



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 on the prior page.

PWR NORTH AMERICA

PWR North America has successfully delivered automotive OEM and emerging technology programs, including solid growth in the automotive aftermarket.

PWR North America is well placed to further develop and support these market sectors.

CENTRES OF EXCELLENCE

PWR has two (2) manufacturing hubs able to service customers globally.

A key aspect of our corporate strategy is having Centres of Excellence for the different aspects of our business including manufacturing operations, engineering, design, testing, research and development and corporate services. These will ensure appropriately located and resourced specialised teams are collectively focused on delivering the best outcomes for the Group.

TECHNOLOGY DEVELOPMENTS

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

During FY21, these technologies of cold plates, micro matrix and additive manufacturing have been further developed and commercialised. Our application of these technologies continues to expand as current and potential customers embrace the benefits, including customers in the aerospace and defence sector.

INTELLECTUAL PROPERTY AND MANAGING CYBERSECURITY RISK

Protection of PWR's intellectual property and that of our customers is paramount. We have strict protocols in place to manage our intellectual property.

We have undertaken 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.

We have strict confidentiality procedures in place when developing new technology. We also operate restricted areas within our manufacturing sites and do not permit phones on the factory floor.

CASHFLOW

Our working capital management remained strong for the period ended 30 June 2021 which resulted in a cash balance of A\$19.9m. We believe we have achieved a balanced outcome for all stakeholders and expected future business requirements by declaring a fully franked final dividend of 6.0 cents per share.

Our EBITDA to cash conversion ratio was 115% and remains strong.

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.

To support growth in FY21, PWR increased the headcount from 312 to 363. PWR expects continued growth in FY22 and beyond and expects further increase to headcount, together with a focus on increased productivity and efficiency.

We continue to review the organisational structure and employee development to ensure this aligns with expected operational requirements.

The PWR Team 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 the PWR Team this year with the objective of making FY22 another record year on all fronts.



Kees Weel
Founder & Managing Director

Where We Came From



Kees with his son Paul Weel opened Paul Weel Radiators (PWR).

PWR's new factory at Ormeau, Queensland started construction.



PWR started designing and manufacturing Formula 1 and Nascar cooling packages, developing unique manufacturing processes.



PWR's vision and growth continued with demand for aluminium cooling products rapidly increasing at Currumbin, Queensland headquarters. Growth of staff to 20.

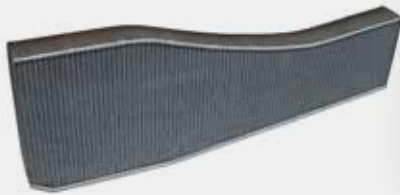
PWR's World Headquarters opened with a staff of 45 and an increased global demand for its products.

PWR built the largest calorific wind tunnel in the southern hemisphere to test heat exchangers at real world operating conditions.





PWR achieved certification to AS9100 (Rev D). This is an aerospace and defence standard (AS) that was released by the International Aerospace Quality Group (IAQG) based on the internationally recognized standard ISO 9001. For defence and aerospace customers, PWR manufactures products such as bar and plate coolers, micromatrix coolers and cold plate coolers, backing it up with the added processes such as CT scanning and Additive Manufacturing (3D printing aluminium).



PWR celebrates supplying its 4th Formula 1 World Championship win, having supplied cooling systems to Red Bull Racing from 2010 to 2013 inclusive.



PWR's CNC machine shop doubled in size, introducing palletised and self-loading 5 axis machining cells to run unmanned.

PWR continues to diversify its products into battery and electronics cooling systems as well as targeting the aerospace and defence industries. Product offering also expands to now include MicroMatrix production.



2013

2015

2017

2018

2019

2020

2021

PWR acquired US based C&R to strategically expand its manufacturing footprint and gain further traction in the US market.

PWR listed on the Australian Stock Exchange with a staff of 80 in Australia.

PWR Advanced Cooling Technology continues to revolutionise the cooling industry with a staff of 170. Factory footprint in Australia expands significantly to include the building alongside its main headquarters which is now dedicated to Engineering, R&D and Advanced Manufacturing.

PWR obtains leading-edge manufacturing equipment and new technologies including aluminium Additive Manufacturing machines, SLA machine, Yxlon 3D CT Scanner and a Vacuum Furnace plus a Heat Treatment Furnace, expanding on a substantial list of manufacturing capabilities to ensure PWR can manage the production of the best solutions by whichever manufacturing methodology provides the greatest advantage to its customers.



Sustainability

Investing in Things that Matter Go Hand-in-Hand with Building a Sustainable Business

PWR is 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.

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, offering work experience to high school students and investing in them to build a capable and committed workforce to maintain PWR's exceptional quality workmanship and customer service.

Development and Diversity

Diversity is a consideration that forms part of PWR's long term commercial success and strategy and 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 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 its DNA (respect, passion and teamwork) in every decision we make or interaction we have.

CASE STUDY

Passionate and Diverse Leadership Helps to Build PWR's Future

PWR embraces diversity and is thrilled to have Natarsha as a team leader in our main production area of Transmissions and Auxiliary. "Tarsh" as we call her recently joined other PWR leaders in a front-line leadership training day and is excited about her future.



Natarsha Rathmell

"When I started with PWR in 2015 I had no idea how much work goes into cooling performance cars. I never had much of an interest in cars really, other than when Indy600 came to the Gold Coast each year. But my mum worked here building various car radiators and she would come home and tell me the different car models she'd built that week, from Landcruisers one day, to Audi GT3 the next. It all sounded really interesting and if she enjoyed it, I might too. Now having worked with PWR for 6 years, I am the team leader for the transmissions and auxiliary department, and I've worked in so many areas within the main production department. I have helped with various components for F1 and am proof that all you need is a can-do attitude, willingness to learn and a bit of enthusiasm. You don't need a degree or a mechanical mind to progress within such a large company. I came from working in a petfood factory to working on cooling products and performance parts for a range of categories from aftermarket to motorsport. I have already taken part in the leadership training and am looking forward to the direction my career is going. The food's not too bad either."

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

PWR is proud to have helped develop over 30 apprentices and 16 school work-experience students over the past year.

Diversity Objectives

The Group’s objectives for diversity over the next three years are and how we performed in FY2021 are set out below:

| | FY2021 Actual | FY2021 Target | FY2022 Target | FY2023 Target |
|---|---------------|--------------------------------|---------------|---------------|
| Number of women in Executive Management over the next 3 years | 1 ↓ | 2 | 2 | 3 |
| Increase female representation in PWR’s workforce: | | | | |
| PWR | 11% ↓ | 14% | 16% | 20% |
| PWR NA | 13% ↓ | 16% | 17% | 20% |
| PWR Europe | 17% ↓ | 33% | 33% | 35% |
| Board composition remains at least 30% female as per the ASX Governance Principles and Recommendations. | 25% ↓ | At least 30% female membership | | |

As we continue to recruit, our diversity objectives will remain front of mind.

CASE STUDY

We Support our Schools and Apprentices with Development Opportunities

Our apprenticeship and school work experience programs help PWR to build talent for PWR’s future, while also giving the trainees the learning opportunities they need to keep moving forward in their careers.

Max Norris has been with PWR since 2018, initially through the PWR School Work Experience Program, Max is now in his third year of his Fitter and Turner Apprenticeship. Max is already running the 5 Axis CNC machines worth in excess of \$1m.



Max Norris

“The few years I have worked at PWR thus far has been nothing short of an exciting, high paced environment that is filled with a positive atmosphere wherever you go. The abundance of knowledge that surrounds me and other apprentices is second to none. For myself to be given the opportunity to operate world class 5 axis CNC machines and rub shoulders with talented machinist and programmers so early in my career is a challenge that I do not take lightly, and with the support of incredible mentors and management, I am confident in my abilities as a machinist and constantly eager to learn more. I am excited for the future of PWR and cannot wait to see where it can take us next.”

Achievements

Some of the achievements we are proud of are:

- ✓ We employed 30 apprentices and 16 work experience students this year
- ✓ We made a conscious decision to recruit for part-time roles that cater for those people with the need to be free to drop off and pick up their children from school
- ✓ We invested in leadership training for our supervisors and plan to continue that programme into the future given the tangible benefits it has already delivered.

Sustainability

continued

HEALTH, SAFETY AND WELLBEING

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

COVID-19

As the COVID-19 pandemic was with us again during the year, we maintained personal hygiene and social distancing measures at all sites in line with government and Safe Work Australia guidelines. We have played our part in Australia’s drive to vaccinate its population against COVID and have given our staff time off to attend COVID vaccination clinics and we pay for their transport to and from their vaccination appointments.

Employee Wellbeing

At PWR we believe that investing in the well-being of our employees is an investment in PWR’s future.

CASE STUDY

Looking after our People

At PWR we believe in looking after the health and well-being of our people and one way we can do that is through Weely’s Diner at PWR’s Ormeau manufacturing facility which employs over 270 people.

Weely’s Diner is a state-of-the-art purpose-built canteen that offers free of charge, “home” cooked meals to our staff at Ormeau in Brisbane. Our head chef Grant, along with Sam and Adrienne serve breakfast, morning tea and a hot lunch to all of our staff and the occasional visitor who happens to be here at the right time.

Kees Weel, Founder and Managing Director, opened up Weely’s Diner in 2008 as he firmly believes that a well fed and hydrated workforce is a happier and more productive one. As an added bonus it prompts staff to leave their workstations and get up from their chairs, stretch, refresh themselves and interact with others - especially those from other teams or departments where they exchange ideas and return to work rejuvenated.



Sam Makim

“The “Weely’s Diner” represents more than just a financial saving for me personally as it takes away the stress and time of having to prepare food for myself every day which is hugely valuable in my busy lifestyle. Not only is the quality of food second to none but the diner also gives a great opportunity to catch up both professionally and personally with colleagues and is often a highlight of the day.”

- Ben Jackson



CASE STUDY

Mental Health First Aid Officers

Supporting the mental wellbeing of our employees is good for everyone and enhances personal and organisational resilience, and success. We are proud to have two members of our human resources team, Amy and Lauren, trained as mental health first aid officers, giving them skills to support our employees in times of need.



Amy Kinnane and Lauren Stratton

"We are very proud to have our Certification in Mental Health First Aid. We are both very passionate about shining a light on the importance of Mental Health and the power of not suffering in silence. We have over 270 staff of all ages and backgrounds, who spend more time here at work than they do at home with their families. It is so important that we are able to support every single staff member in their physical and mental wellbeing by giving them support, guidance and access to professional help when and if they need it. We want to create an inhouse support network so no one ever feels like they are alone and know that just one conversation could save a life."

Safety

We saw an increase in our Lost Time Injury Frequency Rate (LTIFR) in 2021 increasing from 3.3 to 5.9, and have invested in enhancing our internal governance for health and safety oversight and risks which includes the establishment of a Health and Safety Committee, identification and development of associated mitigation actions for our critical safety risks and undertaking root cause analysis when a safety or high potential incidents occur.

There have been no fatalities, fines or prosecutions arising from safety related breaches across the Group.

Achievements

- ✓ Free influenza vaccinations to our people
- ✓ Assistance with bookings, time off and paid transport to COVID-19 vaccination clinics
- ✓ Served approx. 203,000 meals to our 270 employees at our Ormeau manufacturing site in Queensland
- ✓ Trained mental health first aid officers to support our workforce
- ✓ Fully functional employee Work Health and Safety Committee
- ✓ Identification, communication and training on Critical Safety Risks across our global operations

COMMUNITY AND STAKEHOLDERS

Our Shareholders

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

Unfortunately COVID prevented that from happening in 2020 and we held a virtual AGM where we did our best to communicate with our shareholders. We are hopeful to hold the 2021 Annual General meeting at our Ormeau manufacturing site, offer site tours and interact on a personal level with our shareholders, COVID permitting.

We invested in upgrading our website which includes our investor portal so shareholders have quick access to key reports, announcements, share price and governance policies.

Our Customers

When entering into a relationship with our customers, PWR does not limit the service to the sale of product, but instead partners with the customer to understand their project objectives, engaging PWR's Engineering Centre of Excellence and utilising PWR's expertise in advanced technology to quickly develop unique cooling solutions that are right for the customer's application. Building upon PWR's extensive capability from design conception through to project delivery and validation, this collaborative approach often extends as far as having customers, including the world's premier Formula 1 teams, work on-site alongside PWR engineering and production staff to optimise their cooling solutions.

Sustainability

continued

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 Great Cycle Challenge (kids fighting cancer), Movember, Shave for a Cure and held gold coin donation lunches for community causes such as drought relief and bushfires and raised over \$5,000.

OUR CORPORATE GOVERNANCE AND RISK MANAGEMENT PRACTICES

The Corporate Governance statement of the Group is available through the Group website and is also released to the ASX as part of our annual reporting. 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.

Risk management is fundamental to maximising the value of our business and informing PWR's strategic direction.

We believe that effective risk management enables us to identify priorities, allocate resources, demonstrate due diligence in discharging legal and regulatory obligations, and meet the standards and expectations of our stakeholders.

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

We particularly focus on strategic and material risks and 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.

See below for summary of our material risks and how we manage them:

Protecting the health, safety and wellbeing of our people

PWR's DNA calls out **respect**. Respect for our employees and respect for each other. We strive to ensure that a culture of respect promotes a safe workplace where everyone goes home safe every day. We also believe that providing our employees with health and wellbeing opportunities supports a happier, healthier, more productive workforce and workplace.

- ✔ We have identified and regularly talk about our critical safety risks.
- ✔ We investigate the root cause of all safety incidents, identify key learnings and talk about them in our toolbox talks.
- ✔ We are continuously improving our working environments to make them safer and more productive for our people.
- ✔ We have set up an Employee Assistance Program to help employees deal with life's challenges by giving them and their families free access to professionals who can provide them with strategies to minimise stress and manage their mental health.
- ✔ We have two qualified mental health first aid officers at PWR's Ormeau manufacturing facility.

Managing the challenges that come with rapid growth

PWR has worked hard to get where we are and have grown our business year on year but with this comes challenge. The challenge of managing and communicating with a larger workforce, more workload, the need for more factory space, better systems and processes, more customers and new advances in technology, to name a few.

- ✔ We seek to address this risk through one of our strategic objectives – **Solid Foundations**.
- ✔ First and foremost we need to stay focused on our people at all times, no matter how demanding our business growth becomes - because our people are responsible for driving our growth. We have invested in a highly capable human resource area to provide the extra support and focus required.
- ✔ With growth comes change and maintaining open channels of communication with our people is essential. We are committed to ensuring each and every employee understands our vision and purpose and their role in helping to deliver them.
- ✔ We are focused on ensuring we have robust systems and processes that facilitate knowledge transfer for the production of our many products. When everyone follows a well-tested set of steps, we reduce the likelihood of mistakes, delays and duplicated effort.
- ✔ We are investing in a new Enterprise Resource Planning system that will support PWR's business for years to come.

Protecting our intellectual property and managing cyber security risks

Protection of PWR's intellectual property and that of our customers is paramount.

- ✓ We have undertaken 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.
- ✓ We have strict confidentiality procedures in place when developing new technology.
- ✓ We operate restricted areas within our manufacturing sites and do not permit phones on the factory floor.

Talent identification, recruitment and retention

Our ability to identify, attract and retain key talent and develop capabilities is fundamental to delivering our strategic objectives.

- ✓ We focus on enhancing our offerings to employees and potential employees to distinguish ourselves in the market through targeted and effective approaches to talent and recruitment management.
- ✓ We focus on succession planning and we identify key talent and provide them with experience and growth through time in critical roles and identify relevant external training for their skills development.
- ✓ We continue to improve our long-term workforce planning and talent management program across PWR.
- ✓ We invest in our leaders to support their skills in leading and managing their teams.

Diversifying our business

Our objective is to leverage our research and development and success in providing cooling solutions to motorsport into other industries where we can use our know-how and add value.

- ✓ We keep our strategy front of mind as it informs the decisions, we make about leveraging our existing cooling solutions into new industries.
- ✓ We regularly evaluate our strategic objectives with the Board.
- ✓ We have a dedicated advanced technology team focused on building a pipeline of opportunities.
- ✓ We strategically invest in leading edge manufacturing technology.
- ✓ We invested in securing AS9100 accreditation (aerospace and defence quality standard) and are working towards other important certifications.

Maintaining our leading edge through innovation and advanced technology

Technology and innovation are advancing at a rapid pace and we pride ourselves at being at the forefront of technology advances in the field of cooling however it requires continued investment and focus and falling behind is not an option.

- ✓ We are continuously investing in research and development.
- ✓ We adopt quality control approaches in everything we do and use advanced technology to problem solve for customers.
- ✓ We introduced capability for serialisation of products including full traceability of components and raw materials used in the production process back to raw material source.
- ✓ We attend trade shows and keep up to date with the latest advances in technology.

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
- disposal of wastes and hazardous materials in accordance with government regulations.

RECYCLING

At PWR, aluminium is used almost exclusively in the production of our high-performance cooling solutions. This material is abundant, easy to fabricate and one of the most widely recycled materials. During the 2020-2021 financial year we recycled 181 tonnes of aluminium, up 11% on that recycled in 2019-20.

Operating and financial review

The operating and financial results for the year ended 30 June 2021 have been 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 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 in FY20 and FY21 and have since resumed on a full or modified program.

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 was an eligible employer for the JobKeeper program. This program commenced in April 2020 and continued until 27 September 2020.

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 for FY20 and FY21, and the USA Federal Government Pay Check Protection Program for FY20. The UK Government furlough scheme was immaterial to the Group results due to the small number of eligible staff employed at PWR Europe Ltd.

| | 2021 \$'000 | 2020 \$'000 |
|------------------------------|----------------|----------------|
| JobKeeper assistance | 1,980 | 1,743 |
| Pay Check Protection Program | – | 1,769 |
| Total before tax assistance | 1,980 | 3,512 |

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. PWR has repaid the drawn balance on the multicurrency credit facility with the full \$10 million facility limit available to draw down to support operational requirements if required.

Summary of financial results

| | FY21 A\$'000 | FY20 A\$'000 | Change % |
|--|-----------------|-----------------|-------------|
| Revenue | 79,208 | 65,731 | 20.5% |
| EBITDA ¹ | 28,963 | 23,430 | 23.6% |
| EBITDA ¹ margin | 36.6% | 35.6% | |
| Net profit after tax (NPAT) | 16,797 | 13,049 | 28.7% |
| Operating cash flow (excluding interest and tax) | 31,368 | 20,323 | 54.3% |
| Earnings per share | 16.77 cents | 13.04 cents | 28.6% |

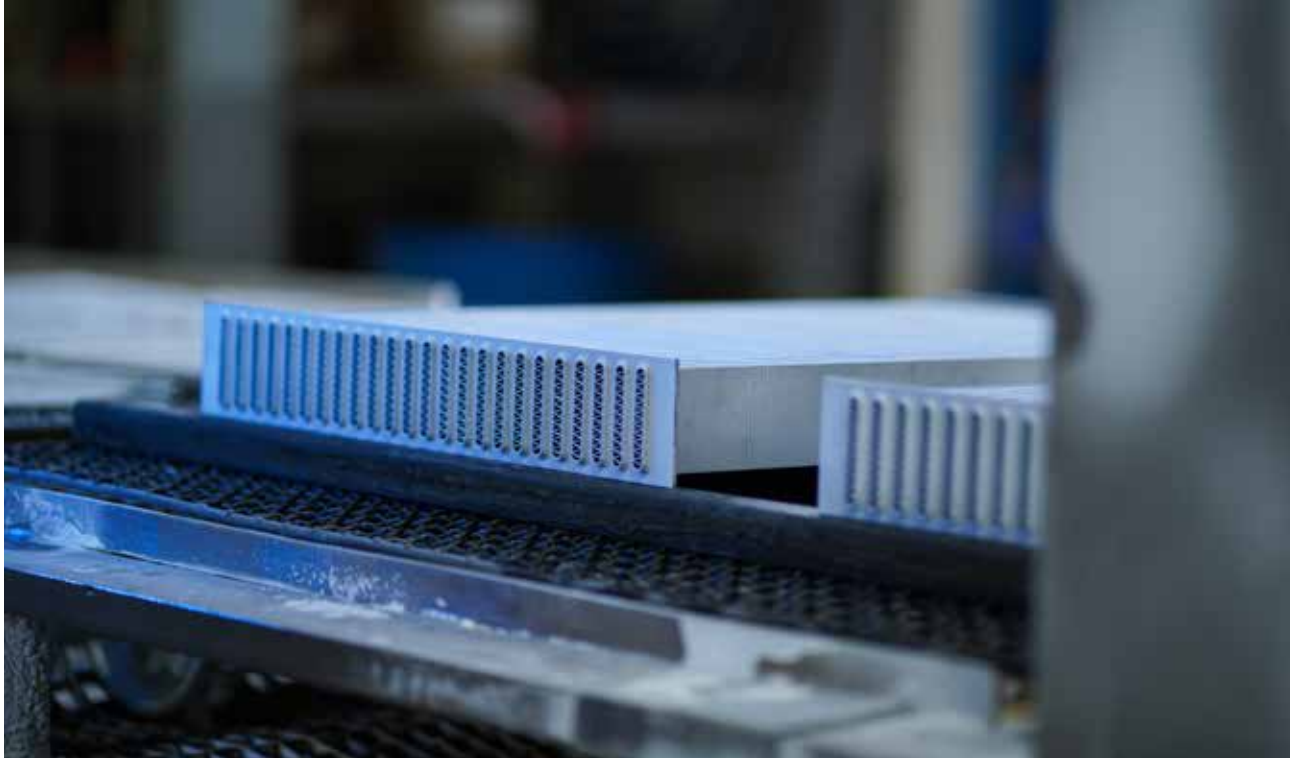
1. Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") is a non-IFRS term which has not been subject to audit or review but has been determined using information presented in the annual financial report.

Reconciliation of profit before tax to EBITDA

A reconciliation of EBITDA¹ to the reported profit before tax in the consolidated statement of profit or loss and other comprehensive income is as follows:

| | FY21 A\$'000 | FY20 A\$'000 |
|-----------------------------------|-----------------|-----------------|
| Profit for the period before tax | 22,547 | 18,235 |
| Add : net finance costs | 677 | 490 |
| Add : depreciation & amortisation | 5,739 | 4,705 |
| Underlying EBITDA ¹ | 28,963 | 23,430 |

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



Revenue

The Group achieved overall revenue growth of 20.5% compared to the prior corresponding period. Organic revenue increased by 25.7% but was offset by unfavourable exchange rate movements of (5.2%).

The above growth was primarily driven by third party sales out of the United States of America, United Kingdom and Australia, where sales grew 64.2%, 10.3% and 17.2% respectively.

Exchange rate movements saw the GBP being 2.7% stronger at 30 June 2021 and the US dollar being (9.6%) weaker compared to the prior period. In contrast, average rates during the financial year saw the GBP (4.1%) weaker and the US dollar (11.2%) weaker than the prior period.

The net impact of exchange rate movements had an unfavourable impact on revenue for the year of (\$3.40m) (FY20: favourable \$2.58m).

EBITDA

Despite the negative impact on revenue of foreign exchange rate movements, EBITDA in FY21 compared to the prior corresponding period was stronger mainly due to:

- Solid revenue growth across the motorsports, OEM, automotive aftermarket and emerging technologies sectors;
- Production costs control;
- Benefits from the JobKeeper program; and
- Administration and overhead costs increasing at a lower rate than sales and EBITDA.

Operating and financial review

continued

Net profit after tax

Net profit after tax of the Group for the year ended 30 June 2021 was \$16.80 million (FY20: \$13.05 million).

Operating cash flow

The Group continued its strong cash conversion rate with FY21 operating cash flow (excluding change in working capital, interest and tax) of \$33.2 million, a conversion of 115% 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:

| | FY21 | FY20 |
|--------------------------|-------|-------|
| British pounds (GBP) | 53.8% | 61.8% |
| US dollars (USD) | 31.2% | 24.1% |
| Australian dollars (AUD) | 15.0% | 14.1% |

Balance sheet management

The balance sheet remains strong with cash of \$19.9 million (FY20: \$20.8 million).

Working capital utilisation has improved from 128 days at 30 June 2020 to 66 days at 30 June 2021 due largely to a reduction in stock turnover days.

Capital expenditure for the year was \$10.4 million (FY20: \$7.8 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 solid 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 2021 dividend of 6.00 cents per share bringing the total dividend to 8.80 cents per share.

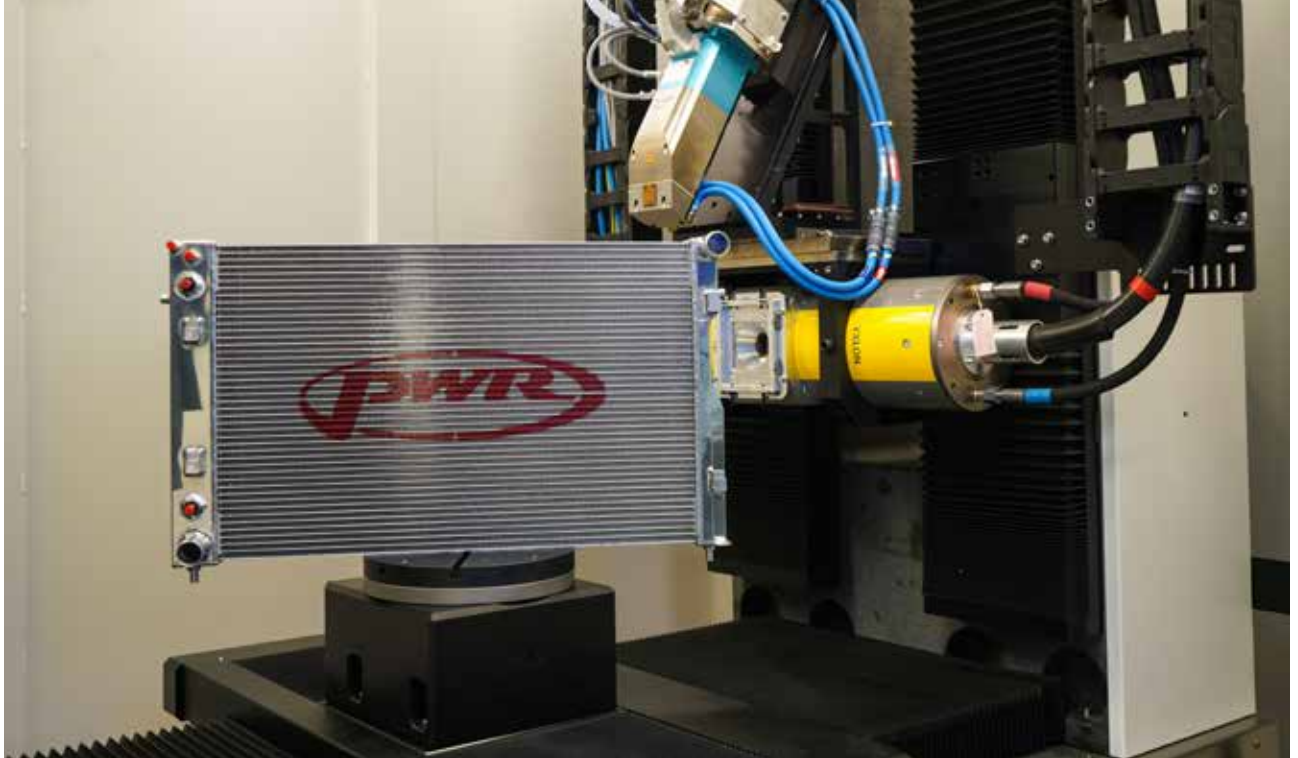
Review of operating segments

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

The PWR Performance Products segment generated external revenue of \$54.9 million (FY20: \$50.2 million), The increase was due to the recovery of customer operations post the initial impact of COVID-19.

The C&R segment generated external revenue of \$24.3 million (FY20: \$15.6 million). This is a strong result resulting from increased sales from the OEM, Automotive Aftermarket and Emerging Technology sectors.

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 2021 and using currently available information has resulted in the current values continuing to be recognised.



Review of principal businesses

During the year ended 30 June 2021, in addition to the items outlined above, the Group:

- Enhanced our new micro matrix and cold plate technology product offerings;
- Increased supplies into new industries including aerospace and defence; and
- Increased employee headcount to expand capacity to delivery on new and potential contracts.

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.

Directors



Teresa Handicott
Independent Chairman,
Non-Executive Director



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.



Kees Weel
Managing Director and
Chief Executive Officer

Kees Weel is the founder of PWR and has been awarded the 2021 Australian Performance Automotive Industry "Australian of the Year". From the humble beginnings of hand making his first copper and brass radiator in 1982 to a visionary leader of PWR, Kees has lead PWR on an extraordinary journey that has cemented PWR's reputation globally for quality and innovative cooling products and unparalleled customer service.

It was Kees' inspiration to begin manufacturing radiators that quickly led to a ready-made customer base that required superior quality and capability from radiators. With an ever growing business and in-demand product, in 2006 Kees started building, what is today, PWR's state of the art manufacturing facility at Ormeau. Kees's

uniquely Australian approach to business is his greatest strength, where no challenge is too big and an ethos that everything can be made with time, money and hard work.

Following its listing on the ASX, Kees has continued to oversee the extraordinary growth of PWR while still maintaining its commitment to quality and customer service and that 'family feel' amongst employees.

Kees continues to develop PWR's business capabilities and leads his high performance team to be innovative, listen to the customer and always have a can do attitude. Printed in supersized letters on the wall at the Ormeau manufacturing facility is Kees' motto: Most people see things as they are and say why. We dream of things that never were and say why not?



Jeffrey Forbes
Independent,
Non-Executive Director



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 Limited, Intega Group Limited and Chairman of Herron Todd White Australia and Herron Todd White Consolidated.



Roland Dane
Independent,
Non-Executive Director



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 35 years ago.

He is also the Managing Director of the successful Triple Eight Race Engineering team, winning 8 out of the last 13 V8 Supercar championships.

Executives



Matthew Bryson
Chief Operating Officer
(COO)

Matthew is responsible for overseeing the operations of engineering, production and quality management of the Group.

Matthew completed his Mechanical Engineering Trade as a special class Fitter and Machinist/Toolmaker concurrently studying Mechanical Engineering, before working as a mechanical design engineer, and then applying both engineering and trade skillsets to the motorsport industry.

Matthew joined PWR in 2000 as a design and manufacturing engineer contributing to PWR's formative years across product and production engineering responsibilities. This role progressed to the position of Engineering Manager at PWR, as a position held for 15 years, working closely with PWR's customers to grow the business, and overseeing the continued development of PWR's product and advanced manufacturing capabilities. Matthew commenced his current position of COO at PWR in July 2020.



Martin Mclver
Chief Financial Officer
(CFO)

Martin Mclver is responsible for finance, treasury, human resources, information technology, and procurement. Martin was previously the CFO at WorkPac with 7 years' service and is currently Chairman at Tlou Energy Ltd (ASX:TOU). Earlier he held the position of Director in Corporate Finance with PricewaterhouseCoopers with a focus on mergers and acquisitions.

Martin has a Bachelor of Business from QUT and is a MBA graduate from the American Graduate School of International Management (Thunderbird).

Stuart Smith
Former Chief Financial
Officer

Stuart Smith was the CFO of PWR until 12 April 2021 and then provided support to the new CFO, Martin Mclver while he settled into the role.

Stuart ceased employment at PWR on 23 April 2021.

Financial Report FY21

for the year ended 30 June 2021



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Directors' Report

for the year ended 30 June 2021

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 2021 ("reporting period") and the auditor's report thereon.

The report is prepared in accordance with the requirements of the *Corporations Act*, with the following information forming part of the report:

- Operating and financial review on the inside front cover to page 30
- Director biographical information on page 22 and Company Secretary biographical information on page 26
- Remuneration report on pages 32 to 48
- Note H1 Financial risk management objectives and policies on page 73
- Note I10 Share capital on page 83
- Note H3 Auditor's remuneration on page 78
- Note D3 Employee share based payments on page 63
- Directors' declaration on page 86
- Auditor report on page 87
- Shareholder information on pages 91 to 92
- Corporate directory (inside back cover).

1. DIRECTORS

At the date of this report, the Directors in office were:

| | |
|------------------|--------------------------|
| Teresa Handicott | Appointed 1 October 2015 |
| Kees Weel | Appointed 30 June 2003 |
| Jeffrey Forbes | Appointed 7 August 2015 |
| Roland Dane | Appointed 1 March 2017 |

You can find information about our Directors' qualifications, experience, special responsibilities and other directorships on page 22.

2. COMPANY SECRETARY

Lisa Dalton (B.App.Sc., M.App.Sc., LLB (Hons), FAICD, FCSA, FCIS)

Lisa Dalton was appointed as PWR's company secretary on 7 August 2015 and remains the company secretary at the date of this report.

Lisa is an accomplished lawyer, governance professional, senior executive and leader with over 25 years' experience in the mining, energy, construction, manufacturing, medical, agricultural and infrastructure sectors.

Lisa is currently Chairman of Second Skin Pty Ltd, a non-executive director of Healthia Limited and Company Secretary of both PWR Holdings Limited and Jameson Resources Limited. Lisa is also an independent member of the Audit and Risk Committee of the Queensland Department of Justice and Attorney General and the Queensland Department of Regional Development, Manufacturing and Water.

Directors' Report

for the year ended 30 June 2021

3. DIRECTORS' MEETINGS

Our Chairman sets the agenda for Board meetings, with the Managing Director and the Company Secretary. The meetings typically include:

- Minutes of the previous meeting
- Matters arising
- Strategy discussion
- MD's report
- Chief Operating Officer report
- Chief Financial Officer report
- People report
- Health and Safety report
- Board Committee Chair reports
- Continuous disclosure checkpoint
- Share trading checkpoint

Closed sessions with Directors and as required, a closed session with Non-Executive Directors only are held periodically throughout the year.

Our Board also receives periodic reports on operational and other important business matters including regulatory updates, market research and investor relations activities.

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

| Director | Board Meetings | | Audit and Risk Committee Meetings | | Nomination and Remuneration Committee Meetings | |
|------------------|----------------|------|-----------------------------------|------|--|------|
| | Attended | Held | Attended | Held | Attended | Held |
| Teresa Handicott | 11 | 11 | 5 | 5 | 3 | 3 |
| Jeffrey Forbes | 11 | 11 | 5 | 5 | 3 | 3 |
| Roland Dane | 11 | 11 | 5 | 5 | 3 | 3 |
| Kees Weel | 11 | 11 | - | - | - | - |

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 technology 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.

Directors' Report

for the year ended 30 June 2021

5. OPERATING AND FINANCIAL REVIEW

Pages 18 to 20 sets out our review of operations and financial review.

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 | Note | Cents per share | Total amount \$ | Date of payment |
|-----------------------------------|------|-----------------|-----------------|-------------------|
| Final 2020 ordinary | F4 | 4.00 | 4,007,191 | 25 September 2020 |
| Interim 2021 ordinary | F4 | 2.80 | 2,805,034 | 26 March 2021 |
| Total amount | | | 6,812,225 | |

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 2021 ordinary dividend | 6.00 | 6,010,786 | 24 September 2021 |
| Total amount | | 6,010,786 | |

The financial effect of these dividends has not been brought to account in the consolidated financial statements for the year ended 30 June 2021 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.

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

8. EVENTS SUBSEQUENT TO REPORTING DATE

The Board declared a fully franked final 2021 ordinary dividend of 6.00 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 2021.

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. PROCEEDINGS ON BEHALF OF THE COMPANY

The Group is not subject to any significant environmental regulations.

11. INDEMNIFICATION AND INSURANCE OF OFFICERS

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

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

12. PROCEEDINGS ON BEHALF OF THE COMPANY

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

13. NON-AUDIT SERVICES

During the year KPMG, the Group's auditor, has 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.

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 | Note | 2021 |
|--|-------------|-------------|
| Audit and review of financial statements | H3 | 143,500 |
| Services other than audit and review of financial statements | | 21,450 |
| Total paid to KPMG | | 164,950 |

Directors' Report

for the year ended 30 June 2021

14. LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 31 and forms part of the directors' report for the financial year ended 30 June 2021.

15. DIRECTORS' INTERESTS

Details of the Directors' interests in the securities of the Company are disclosed in the remuneration report on page 46.

This report is made with a resolution of the directors:



Teresa Handicott
Chairman
Brisbane
19th August 2021



Kees Weel
Managing Director
Brisbane
19th August 2021

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

for the year ended 30 June 2021



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

To the Directors of PWR Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of PWR Holdings Limited for the year ended 30 June 2021 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
19 August 2021

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Remuneration Report

for the year ended 30 June 2021

1. LETTER FROM CHAIRMAN OF THE NOMINATION AND REMUNERATION COMMITTEE

Dear Shareholders,

On behalf of the Board, I'm pleased to present the Remuneration Report for the year ended 30 June 2021.

This report seeks to describe, in a simple and transparent way, our approach to remunerating Executive key management personnel (Executive KMP) and the key principles that underpin our Pay for Performance Framework, as well as remuneration for our Non-Executive Directors.

Short-term incentive

The intent of the Short-Term Incentive (STI) is to focus our Executive KMP on what they can influence in the performance year. For the STI to be activated for Executive KMP, they have to meet the STI Gate established by the Board. If PWR exceeds the STIP Gate, this unlocks a greater STI amount for Executive KMP and forms the basis of a stretch target. This is a key feature of the STI Plan that assists the Board in aligning the creation of shareholder value with actual company performance. The STI Gate is a financial measure linked to budgeted EBIT or NPAT. Depending on whether the gate is met or exceeded, the Corporate Scorecard which sets out a number of key performance indicators (KPIs) that focus Executive KMP and other STI Plan participants on areas that align to growth, safety and product quality. The more the STI Gate is exceeded, the more of the Corporate Scorecard is unlocked.

As outlined in more detail on page 41, the Company fell slightly short of the STI gate and accordingly Executive KMP did not earn STIs for the year ended 30 June 2021. This was disappointing given the significant effort and contribution they made during the reporting period for which I and my fellow directors sincerely thank them.

Long-term incentive

The LTI is the component of Executive KMP remuneration most closely linked to the shareholder experience as it rewards Executive KMP for delivery of returns to shareholders that exceed peer benchmarks over a three-year period.

The LTI has two performance hurdles and a service condition that are assessed at the end of a 3-year performance period. For LTI grant in FY2021, the Board modified the EPS hurdle so going forward the performance hurdles for the LTIP are compound growth in Earnings Per Share (EPS) and Total Shareholder Return (TSR) benchmarked against the ASX 300 (excluding Energy sector (oil, gas and coal)). The modified EPS hurdle aligns more closely with shareholders' interests and participants now need to demonstrate a compound annual growth rate for EPS over the 3-year performance period in excess of 10% for all rights linked to that hurdle to vest.

Long-term incentive | vesting

Just as shareholders have been rewarded by the increase in PWR's share price, Executive KMP were rewarded by the increase in value of their performance rights and their ultimate LTI vesting outcome during the reporting period with the exception of the Managing Director who elects not to participate in the LTIP given his significant shareholding.

At the end of June 2020, following a 3-year performance period:

- PWR ranked at the 90th percentile for Total Shareholder Return (TSR) for the performance period for the FY2018 performance rights (1 July 2017 to 30 June 2020) when compared to the benchmark group of ASX 300 (excluding Energy sector (oil, gas and coal))
- our EPS hurdle for the FY2018 performance rights was measured by the growth in EPS from FY2018 (base year) to the end of the third year of the Performance Period (FY2020). The EPS growth rate was 40.5%, a compound growth rate of 12%

As a result, 100% of the FY2018 performance rights vested on 1 September 2020 and provided the Executives an equivalent number of PWR shares.

Remuneration Report

for the year ended 30 June 2021

1. LETTER FROM CHAIRMAN OF THE NOMINATION AND REMUNERATION COMMITTEE (continued)

Looking forward

The Board has confidence in the integrity of the Pay for Performance Framework and believes it incorporates the necessary flexibility to continue to balance rewarding our Executive KMP for performance and recognising the interests of shareholders, however we plan to engage a remuneration consultant to undertake a review of our framework in FY2022 and will report the outcomes of this review to shareholders in our FY2022 remuneration report.

Executives who report to the Managing Director will not receive an increase to Fixed Remuneration in FY2022 and Fees for the Non-Executive Directors will also remain unchanged in FY2022. The Managing Director received a 9% increase in TFR to bring it closer to the median of the benchmark.

Our Corporate Scorecard for FY2022 will continue to focus our Executive KMP and people they lead on our business priorities including implementing controls to keep our people safe and well, growing our emerging technology business, maintaining exceptional product quality and improving productivity.

In what continues to be an extraordinary time, managing the impact of COVID-19, I wish to thank our shareholders for their continued support.



Teresa Handicott
Chairman, NRC

Remuneration Report

for the year ended 30 June 2021

2. HOW WE PERFORMED IN FY2021

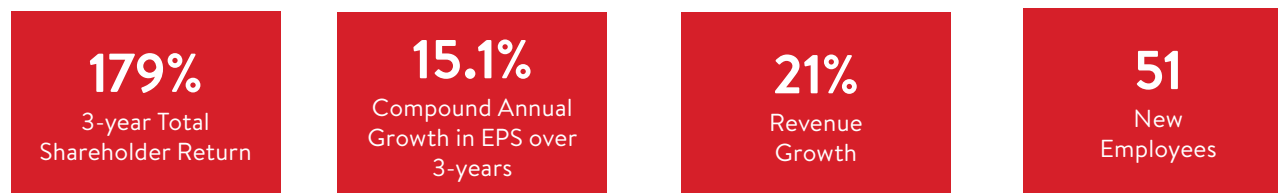


Table 1 PWR Group's Historical Performance below summarises and compares the Group's performance in recent financial years ending 30 June.

Table 1 PWR Group's Historical Performance

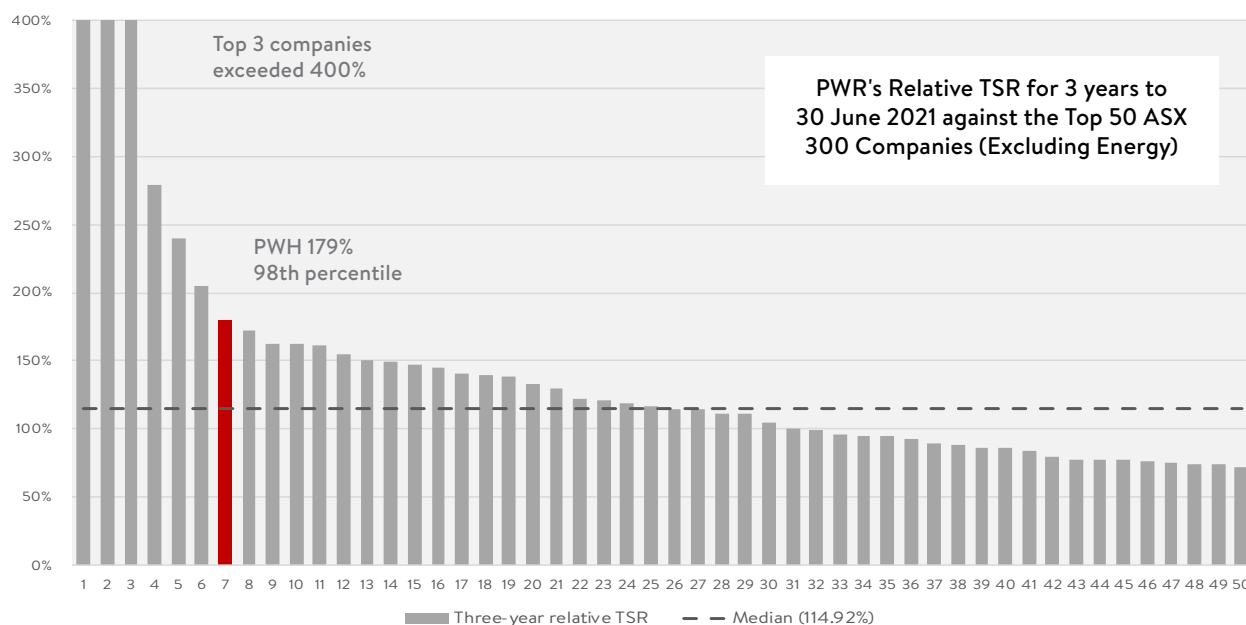
| | Units | Note | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|------------|------|-----------------|-----------------|-----------------|----------|----------|----------|
| EBITDA | \$'000 | | \$28,963 | \$23,430 | \$21,763 | \$16,336 | \$14,727 | \$16,903 |
| Net profit after tax | \$'000 | | \$16,797 | \$13,049 | \$14,206 | \$11,001 | \$9,280 | \$8,735 |
| Ordinary dividend per share (cents) | cents | | 8.80 | 5.90 | 8.50 | 7.30 | 5.60 | 4.40 |
| Special dividend per share (cents) | cents | | - | - | 3.00 | - | - | - |
| Change in share price | \$ | | \$2.60 | \$0.37 | \$1.41 | \$0.36 | \$(0.43) | \$1.28 |
| Earnings per share | cents | B5 | 16.77 | 13.04 | 14.21 | 11.00 | 9.28 | 9.31 |
| Total Shareholder Return Ranking ¹ | percentile | | 98th percentile | 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

2.1 PWR's 3-year Total Shareholder Return

Figure 1 PWR's Total Shareholder Return (3 years to 30 June 2021) shows how PWR compared to the ASX 300 (excluding Energy sector (oil, gas and coal)) over the three year performance period to 30 June 2021, ranking PWR at the 98th percentile of the benchmark group.

Figure 1 PWR's TSR (3 years to 30 June 2021)



Remuneration Report

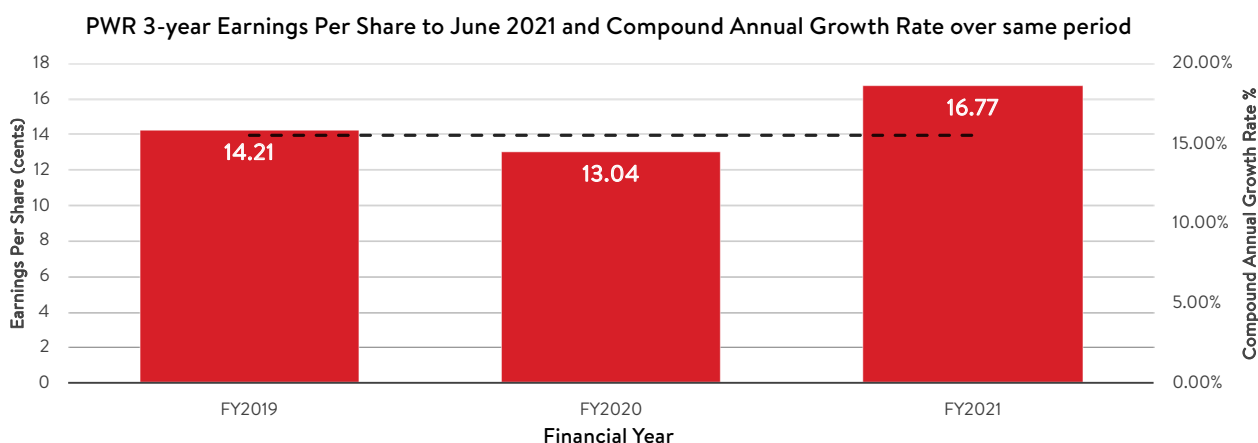
for the year ended 30 June 2021

2. HOW WE PERFORMED IN FY2021 (continued)

2.2 PWR's 3-year growth in EPS to 30 June 2021

Figure 2 PWR's EPS growth to 30 June 2021, shows a year-on-year increase in PWR's Earnings Per Share which equates to a compound annual growth rate in EPS of 15.1% over the three-year period.

Figure 2 PWR's EPS growth to 30 June 2021



3. REMUNERATION OF EXECUTIVE KMP AND HOW IT ALIGNS TO FY2021 PERFORMANCE OUTCOMES

3.1 Overview of Components of Remuneration for Executive KMP

| FY2022 Total Fixed Remuneration | FY2021 Short Term Incentive | Vesting of FY2018 Long Term Incentive Rights | Grant of FY2021 Long Term Incentive Rights |
|---|---|---|--|
| <ul style="list-style-type: none"> The Managing Director will receive a 9% increase to Total Fixed Remuneration to align with the midpoint of TFR of benchmarked companies No increase will be applied to Total Fixed Remuneration for other Executive KMP See page 23 for details on the leaders of PWR and who make up the Executive KMP | <ul style="list-style-type: none"> Despite delivering a solid performance with a NPAT of \$16.8M, this was short of the STIP Gate after adjusting for unpaid Executive KMP bonuses and prior year tax adjustments. Therefore, the Executive KMP were not entitled to receive a short term incentive for performance during FY2021 See page 45 for details on FY2020 STI outcomes which were earned in FY2020 but paid in FY2021 | <ul style="list-style-type: none"> PWR's TSR ranked at the 90th percentile against the ASX 300 (excluding energy, oil and gas) at 30 June 2020 resulting in all rights allocated to this performance hurdle vesting on 1 September 2020 PWR's 3-year EPS growth rate for the 3-year performance period to 30 June 2020 was 40.5% resulting in all rights allocated to this performance hurdle vesting on 1 September 2020 See page 47 for details on FY2018 LTI outcomes | <ul style="list-style-type: none"> 27,599 FY2021 performance rights have been granted to Executive KMP during the reporting period (with the exception of the Managing Director) The Managing Director elects not to participate in the LTIP given his significant shareholding Performance hurdles for the 3-year performance period ending on 30 June 2023 TSR and compound growth in EPS See page 42 for details on grants of FY2021 performance rights |

3.2 Actual Pay for Executive KMP in FY2021

Table 2 Actual Executive KMP Pay in respect of FY2021, provides shareholders with an understanding of cash and other benefits Executive KMP earned in FY2021.

The actual pay for Executive KMP in FY2021 includes:

- Total Fixed Remuneration earned in FY2021 (inclusive of superannuation)
- Total FY2021 STI earned based on performance during FY2021. It does not include STI earned in FY2020 and paid in FY2021
- LTI awards that vested and were exercised in September 2020 for the 3-year performance period to 30 June 2020.

Remuneration Report

for the year ended 30 June 2021

3. REMUNERATION OF EXECUTIVE KMP AND HOW IT ALIGNS TO FY2021 PERFORMANCE OUTCOMES (continued)

Table 2 Actual Executive KMP Pay in respect of FY2021

| Executive KMP | Total Fixed Remuneration actually received FY2021 | FY2021 STIP Cash | Value of shares issued upon vesting of performance rights in. FY2021 ² | Actual Pay ⁴ |
|--|---|------------------|---|-------------------------|
| Kees Weel (Managing Director) | \$509,675 | 0 | n/a ³ | \$509,675 |
| Matthew Bryson (Chief Operating Officer) | \$378,959 | 0 | \$180,955 | \$559,914 |
| Martin McIver (Chief Financial Officer) ⁵ | \$74,873 | 0 | 0 | \$74,873 |
| Stuart Smith (Former Chief Financial Officer) ⁶ | \$329,716 | 0 | \$266,135 | \$693,351 |

- Total Fixed Remuneration actually received includes cash salary and fees, and superannuation.
- Relates to FY2018 performance rights assessed over the performance period 1 July 2017 to 30 June 2020 and which vested on 1 September 2020. Value of LTI is based on the 5-day VWAP at the time of the issue of the shares as a result of exercise by the KMP
- Kees Weel, while eligible to participate in the LTIP, subject to shareholder approval, elects not to do so given he has a significant shareholding
- Actual Pay includes cash salary and fees, cash bonus, superannuation, termination benefits, long service leave payments and share based payments. Refer to the table on page 45 for a full breakdown
- As Martin McIver joined PWR on 12 April 2021, his TFR is based on what he has earned since commencement. Martin is eligible to participate in the STIP and LTIP from 1 July 2021
- As Stuart Smith ceased employment on 23 April 2021 his TFR reflects his earnings to the date of cessation of employment and includes 7 weeks payment in lieu of notice and an amount equivalent to his full FY2021 STI entitlement. In addition to vesting of FY2018 performance rights, the Board exercised its discretion to accelerate the vesting of his FY2019 Performance Rights. The value of LTI is the actual price paid for the shares when purchased on market to satisfy the accelerated vesting

4. PWR'S PAY FOR PERFORMANCE FRAMEWORK

The pages of the Remuneration Report that follow (together with Table 1 PWR Group's Historical Performance) have been prepared in accordance with section 300A of the *Corporations Act 2001* (Cth) (Act) and audited as required by section 308(3C) of the Act. These sections relate to those persons who were KMP of PWR during FY21, being the Executive KMP named on page 23 and the Non-Executive Directors of PWR named on page 22.

4.1 Remuneration Governance

The Board is accountable for establishing the remuneration policies and framework for the PWR Group and ensuring remuneration of the Managing Director and Senior Executives is fair and reasonable and aligned with the interests of shareholders. Outlined below is the Board's framework for remuneration governance:

| | |
|--|--|
| Board | The Board is responsible for setting remuneration policy and determining Non-Executive Director, Managing Director and Executive remuneration. In addition, the Board is responsible for approving all key performance indicators and performance hurdles set under the Executive KMP variable remuneration framework, being the Short Term Incentive Plan (STIP) and the Long Term Incentive Plan (LTIP). The Board delegates responsibility to the Nomination and Remuneration Committee (NRC) for reviewing and making recommendations to the Board on these matters. The Board retains full discretion to decrease or increase outcomes to ensure that they are fair and reasonable. It can use this discretion to decrease or increase the outcome as it considers appropriate. The Board has regular contact with each of the Executive KMP during the year. |
| Nomination and Remuneration Committee (NRC) | The NRC makes recommendations to the Board regarding all aspects of Executive KMP remuneration. This includes making recommendations in relation to the targets to be included in the STIP (both the financial and non-financial) and in relation to setting performance hurdles that attach to Performance Rights under the LTIP. The Group's Managing Director provides updates and makes recommendations to the NRC on these matters in relation to his direct reports throughout the year. To inform the Board and NRC, and to assist with their decision-making processes, additional information and data is sought from management and remuneration consultants, as required. The NRC Charter sets out further information regarding the Committee's objectives and role. |

Remuneration Report

for the year ended 30 June 2021

4. PWR'S PAY FOR PERFORMANCE FRAMEWORK (continued)

| | |
|---|---|
| Responsibility for determining NED remuneration | The Board is responsible for assessing Non-Executive Director (NED) fees, assisted by the NRC. Shareholders approve the total NED remuneration cap. Shareholders have approved a cap of \$750,000 per annum. Reviews of NED Board and Committee fees are carried out periodically with assistance of independent benchmarking reports and/or consultants. |
| Managing Director | Our Managing Director makes recommendations to the NRC regarding Executives and how the Pay for Performance Policy and framework applies to all our employees. |
| Remuneration Consultants | Godfrey Remuneration Group Pty Limited (GRG) provided advice on the Termination Benefit Limit and how it applied to a member of the Executive KMP of the Company. GRG was paid \$2,000 + GST for the advice. |

4.2 Pay for Performance Remuneration Principles

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

| Guiding Principles | How we meet these principles | |
|--|---|--|
| Attract and Retain | Remuneration will incorporate external market reference to maintain market competitiveness | We periodically undertake remuneration benchmarking using independent remuneration consultants to maintain market competitiveness and ensure our reward supports PWR in both attracting and retaining key talent. |
| Pay Executives for Performance that Delivers Value to Shareholders | 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 | <p>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 objectives.</p> <p>We also ensure our reward outcomes are aligned to performance by providing a significant part of Executive KMP's 'at risk' remuneration on achieving both financial and non-financial measures</p> <p>We align short term and long term performance measures to our strategy and vision. This includes a focus on PWR being a safe place to work, ensuring our reputation for quality products is maintained, achieving key strategic priorities and achieving leading total shareholder returns.</p> |
| Promote Internal Fairness and Equity | Provide fair, consistent and internally equitable reward to appropriately compensate employees for their contributions and performance outcomes | <p>PWR's DNA is at the centre of how we work together to deliver on our goals.</p> <p>Internal equity is achieved partly through external benchmarking and internally moderating performance assessments across the business.</p> |
| Always Consider PWR's Capacity to Pay | 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. |
| Build Trust by Promoting Transparency | 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. |

4.3. Pay for Performance Framework

The remuneration framework for Executive KMP comprises two elements:

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

Remuneration Report

for the year ended 30 June 2021

4. PWR'S PAY FOR PERFORMANCE FRAMEWORK (continued)

4.3.1. Fixed Remuneration

Fixed remuneration is set with reference to the median of PWR's peers and 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 Executive KMP following recommendations from the NRC. The NRC 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 Executive KMP's role and accountabilities, relevant market benchmarks and attraction, retention and motivation of Executives in the context of the overall market.

4.3.2. Short Term Incentive Plan (STIP) - at risk

The Executive KMP are eligible to participate in the Group's short-term incentive plan.

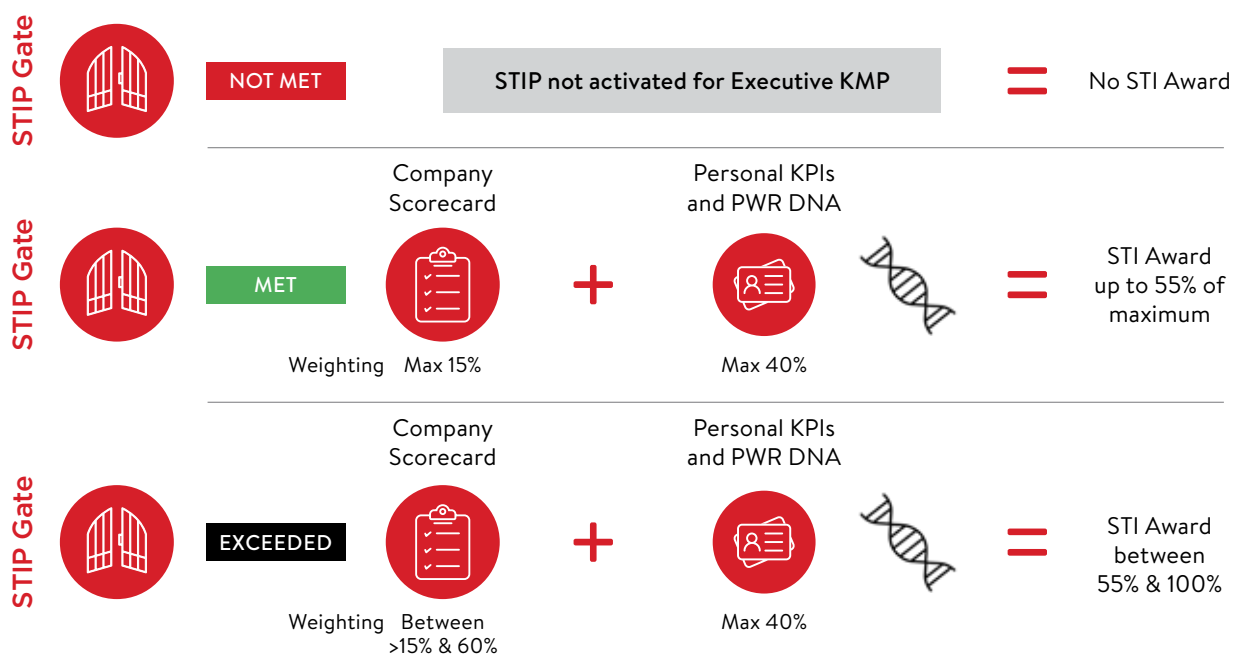
STIP Design

Under the STIP, Executive KMP have an opportunity to receive an annual cash bonus calculated as a percentage of their total fixed remuneration (TFR). There are three components to the STIP:

1. STIP Gate
2. Company Scorecard (financial and non-financial KPIs at a company level)
3. Personal Scorecard (financial and non-financial KPIs at a business unit\personal level together with demonstration of PWR's DNA)

Figure 3 Operation of STIP for Executive KMP, presents a diagrammatic representation of the mechanics of the STIP with targeted STIP being up to 55% of maximum and stretch components providing up to 100% of maximum STIP opportunity.

Figure 3 Operation of STIP for Executive KMP



Remuneration Report

for the year ended 30 June 2021

4. PWR'S PAY FOR PERFORMANCE FRAMEWORK (continued)



STIP Gate

Table 3 STIP Gate Assessment

The STIP gate must at least be met for the STIP to be activated for Executive KMP. The amount by which the gate is exceeded then determines the maximum that can be attributed to each KPI on the Company Scorecard.

| STIP Gate Assessment | Company Scorecard | Personal Scorecard | |
|----------------------|--|----------------------|----------------------|
| Gate Met | Company Scorecard KPI outcome has maximum 25% weighting | Up to 15% of maximum | Up to 40% of maximum |
| Gate + ≥5% | Company Scorecard KPI outcome has maximum 50% weighting | Up to 30% of maximum | Up to 40% of maximum |
| Gate + ≥10% | Company Scorecard KPI outcome has maximum 75% weighting | Up to 45% of maximum | Up to 40% of maximum |
| Gate + ≥15% | Company Scorecard KPI outcome has maximum 100% weighting | Up to 60% of maximum | Up to 40% of maximum |



Company Scorecard

The Board establishes company KPIs that form the Company scorecard on an annual basis. These are determined by assessing key drivers that are required to deliver on our strategic objectives and require the Executive KMP to work as a team to achieve.

Figure 4 Company Scorecard FY2021

| Organic Revenue Growth | NPAT | LTIFR | Critical Safety Risks | Quality |
|--|--|--|--|---|
| Organic revenue growth demonstrates achievement of PWR's growth objective growing both our existing business and developing new areas of business. | An increase in Group NPAT over the prior year's budgeted NPAT is chosen because it reflects how the business manages total costs and generates a profit to provide shareholder returns, Group NPAT is assessed following the preparation and audit of the annual financial statements. | Safety performance is measured through the lost time Injury frequency rate (LTIFR) at the Group and was chosen to reflect the Group's relentless focus on providing safe workplaces for all employees. | Identifying and documenting critical safety risks for PWR's operations and then monitoring the implementation of associated actions to mitigate these risks was selected to embed PWR's commitment to a safe workplace for all employees | Providing quality products is what PWR does best. Warranty claims and customer returns as % of total despatched items must be carefully monitored to ensure PWR continues to excel in customer service and satisfaction |
| 20% | 30% | 12.5% | 12.5% | 25% |

Remuneration Report

for the year ended 30 June 2021

4. PWR'S PAY FOR PERFORMANCE FRAMEWORK (continued)



Personal Scorecard

At the beginning of the performance period, the Board establishes personal KPIs for the Managing Director and the Managing Director recommends personal KPIs for the Executives for Board approval. Personal KPIs represent 40% of the maximum potential cash bonus payable to the Executive KMP and for payment to be made against these KPIs, the STI gate must have been met. If the STIP gate is not met, irrespective of whether the KPIs have been achieved, they attract no cash payment.

4.3.3. Long Term Incentive Plan (LTIP) – at risk

The Executive KMP are eligible to participate in the Group's long term incentive plan.

The LTIP is an equity-based incentive designed to provide participants with the incentive to deliver growth in shareholder value.

Performance Rights

Executive KMP are invited by the Board to apply for performance rights ("Rights") on an annual basis under the LTIP.

Performance Period

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.

Performance Hurdles

The performance hurdles for the Rights granted in FY2021 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 Energy sector (oil, gas and coal)). TSR is calculated by an independent third party, comparing the TSR percentile rank that PWR holds relative to the benchmark group for the relevant 3-year performance period.

| TSR Ranking (TSR) | Vesting outcome |
|--|------------------|
| TSR is 50% or less | Nil vesting |
| TSR is more than 50% but less than 75% | Pro rata vesting |
| TSR is 75% or more | 100% vesting |

- 50% of the rights will vest based on compound growth in annual Earnings Per Share ("EPS") relative to a target set by the Board. Vesting is determined by the compound annual growth rate in EPS over the 3-year Performance Period measured against specific EPS targets.

| Earnings Per Share (EPS) | Vesting outcome |
|---|------------------|
| Compound annual growth rate of EPS <4% | Nil vesting |
| Compound annual growth rate of EPS ≥4% to ≤ 10% | Pro rata vesting |
| Compound annual growth rate of EPS >10% | 100% vesting |

The EPS hurdle for the FY2021 Rights is different to that attached to Rights granted in prior financial years. The Board, following feedback from some shareholders, changed the hurdle from an EPS growth rate to compound annual growth rate over the 3-year performance period. The revised EPS hurdle applies to Rights granted from FY2021 onwards.

Service Condition

Participants must remain continually employed with the Company until the date of vesting.

Rights that do not vest at the end of the three-year period lapse, unless the Board in its discretion determines otherwise. Upon cessation of employment prior to the vesting date, Rights may be forfeited and lapse unless the Board in its discretion determines otherwise. Rights do not entitle holders to dividends that are declared during the vesting period.

Remuneration Report

for the year ended 30 June 2021

4. PWR'S PAY FOR PERFORMANCE FRAMEWORK (continued)

4.4. FY2021 Remuneration Mix

Table 4 Remuneration Mix for Executive KMP FY2021, sets out the Total Fixed Remuneration that the Executive KMP were entitled to during the FY2021 year together with their variable remuneration as a percentage of TFR.

Table 4 Remuneration Mix for Executive KMP FY2021

| Executive KMP | Fixed Remuneration | Variable Remuneration | |
|---|--|------------------------------|------------------------------|
| | Total Fixed Remuneration FY2021 (\$/annum) | STIP Maximum Potential % TFR | LTIP Maximum Potential % TFR |
| Kees Weel (Managing Director) | \$500,000 | 50% | 50% ¹ |
| Matthew Bryson (Chief Operating Officer) | \$375,000 | 30% | 30% |
| Martin McIver (Chief Financial Officer) | \$350,000 | 30% ² | 30% ² |
| Stuart Smith (Former Chief Financial Officer) | \$325,000 | 30% ³ | 30% ³ |

1. Kees Weel, subject to shareholder approval, is eligible to participate in the LTIP however he elects not to do so given his significant shareholding
2. Martin McIver commenced 12 April 2021 and is eligible to participate in the STIP and LTIP from 1 July 2021.
3. Stuart Smith ceased employment on 23 April 2021. The Board exercised its discretion to award an amount equivalent to Mr Smith's STI for FY2021 which was paid out on cessation of employment. He was not granted any performance rights under the LTIP in FY2021. Refer to Table 12 for the vesting of performance rights during the reporting period.

4.5. FY2021 STIP Outcomes

4.5.1. STIP Gate

The gate for the STIP for FY2021 was the NPAT target established by the Board. If the STIP gate is met, the FY2021 Company Scorecard is then assessed with the outcome making up 25% of the maximum attributed to the Company Scorecard. An increasing amount of STIP is available depending on by how much the STIP gate is exceeded. In FY2021, the NPAT had to be exceeded by 5% to receive 50% entitlement, by 10% to receive 75% entitlement and 15% to receive 100% entitlement to the Company Scorecard outcome.

The NPAT gate was not met for FY2021.

At the beginning of the reporting period, the Board established Company KPIs which together formed the Company Scorecard. Subject to the STIP gate being met or exceeded the Company Scorecard accounts for up to 60% of the maximum potential cash bonus payable to Executive KMP. Corporate KPIs on the Company Scorecard align interest and performance at a Group level and to be achieved require strategic thinking, collaboration, and business wide leadership which ultimately improves both short and long term shareholder value.

Notwithstanding that the STIP gate was not met, for transparency an assessment of Corporate KPIs is outlined below:

Figure 5 Company Scorecard Outcomes FY2021

| Organic Revenue Growth 20% | NPAT 30% | LTIFR 12.5% | Critical Safety Risk Tasks 12.5% | Quality 25% |
|---|---|---|---|---|
| >15% | FY21 budgeted NPAT | < 3.5 | 9 | <0.5% |
| Achieved | Not achieved | Not achieved | Achieved | Achieved |
| Organic revenue growth of 25.6% compared to revenue in FY2020 meant that this KPI was fully achieved. | The NPAT target (a separate target to the STIP gate) is a stretch target of 15% above the prior year's budgeted NPAT and was not met. | The Group recorded a LTIFR of 5.9 at 30 June 2021 compared with a LTIFR of 3.3 at 30 June 2020. This KPI was not met. | PWR's critical safety risks focus on the prevention of serious injuries and fatalities and all 9 critical safety tasks established as KPIs for this year were achieved. | Warranty claims and customer returns to <0.5% of total dispatched items was achieved. |

Remuneration Report

for the year ended 30 June 2021

4. PWR'S PAY FOR PERFORMANCE FRAMEWORK (continued)

4.5.2. Personal Scorecards

Personal KPIs 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. A summary of the outcome of Executive KMP personal KPIs is set out below:

Figure 6 Executive KMP Personal KPI Outcomes

| Executive KMP | Personal KPI | Weighting | Outcome |
|---|--|-----------|--------------------|
| Kees Weel (Managing Director) | – Targets related to succession planning for all critical roles | 40% | Partially achieved |
| Matthew Bryson (Chief Operating Officer) | – Targets related to quality standards and reporting, procurement, critical safety risks and succession planning | 40% | Partially achieved |

4.5.3. FY2021 STIP Awards

Table 5 Executive KMP FY2021 STIP Awards

| Executive KMP | Maximum Potential STIP (% TFR) | Actual Bonus Received (% TFR) | Bonus included in FY21 remuneration (\$) |
|--|--------------------------------|-------------------------------|--|
| Kees Weel (Managing Director) | 50% | 0 | 0 |
| Matthew Bryson (Chief Operating Officer) | 30% | 0 | 0 |
| Martin McIver (Chief Financial Officer) ¹ | n/a | n/a | n/a |
| Stuart Smith (Former CFO) ² | 30% | 0 | 0 |

1. Martin McIver commenced 12 April 2021 and is eligible to participate in STIP and LTIP from 1 July 2021.

2. Stuart Smith resigned 23 April 2021 and on cessation of employment was paid an amount equivalent to all of his STIP entitlement for FY2021 following the exercise of discretion by the Board. This amounted to \$97,500.

4.6. LTIP Grants in FY2021

A grant of Rights was made to Executive KMP in the 2021 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, the former CFO who ceased employment on 23 April 2021 and the incoming CFO who commenced on 12 April 2021.

Table 6 Executive KMP FY2021 LTIP Grants

| Executive KMP | Description of Rights | Number of Rights granted | Number of Rights subject to Performance Hurdles | | Grant Date | Vesting Date | Expiry Date |
|----------------------|-----------------------|--------------------------|---|---------------|------------|--------------|-------------|
| | | | TSR Component | EPS Component | | | |
| Matthew Bryson (COO) | FY21 LTIP | 27,599 | 13,799 | 13,799 | 07/06/21 | 01/09/23 | 01/03/24 |

Remuneration Report

for the year ended 30 June 2021

5. 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.

Table 7 Executive KMP Notice Periods

| Name | Position | Notice Period |
|---------------------------|-------------------------|---------------|
| Executive Director | | |
| Kees Weel | Managing Director | 6 months |
| Executives | | |
| Matthew Bryson | Chief Operating Officer | 6 months |
| Martin Mclver | Chief Financial Officer | 3 months |

6. REMUNERATION OF NON-EXECUTIVE DIRECTORS DURING REPORTING PERIOD

6.1. NED Remuneration Policy

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 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.

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.

6.2. NED Remuneration

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.

Table 8 Non-Executive Directors Fees

| Role | Approved Director Fees per annum |
|--|----------------------------------|
| Chairman | \$150,000 |
| Non-Executive Director | \$95,000 |
| Audit and Risk Committee Chairman | \$20,000 |
| Nomination and Remuneration Committee Chairman | \$20,000 |

Remuneration Report

for the year ended 30 June 2021

7. KEY MANAGEMENT PERSONNEL | STATUTORY REMUNERATION TABLE 9

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 shown in Table 9 KMP Statutory Remuneration Table.

| Name and Role | Year | Short-term benefits | | | Employment Benefits | | Long-term benefits | | | Total |
|--|------|---------------------|------------|-------------------|---------------------|----------------|----------------------|--------------------|----------------------|---------|
| | | Cash salary & fees | Cash Bonus | Non-cash benefits | Total | Super benefits | Termination benefits | Long service leave | Share-based payments | |
| | | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Non-executive Directors | | | | | | | | | | |
| Current | | | | | | | | | | |
| Teresa Handicott | 2021 | 155,251 | - | - | 155,251 | 14,749 | - | - | - | 170,000 |
| Chairman | 2020 | 143,607 | - | - | 143,607 | 13,643 | - | - | - | 157,250 |
| <i>Non-Executive Director</i> | | | | | | | | | | |
| Jeff Forbes | 2021 | 105,023 | - | - | 105,023 | 9,977 | - | - | - | 115,000 |
| Non-Executive Director | 2020 | 99,772 | - | - | 99,772 | 9,478 | - | - | - | 109,250 |
| <i>Roland Dane</i> | | | | | | | | | | |
| Non-Executive Director | 2021 | 95,000 | - | - | 95,000 | - | - | - | - | 95,000 |
| Non-Executive Director | 2020 | 90,250 | - | - | 90,250 | - | - | - | - | 90,250 |
| Total - Non-Executive Directors | 2021 | 355,274 | - | - | 355,274 | 24,726 | - | - | - | 380,000 |
| Directors' Remuneration | 2020 | 333,629 | - | - | 333,629 | 23,121 | - | - | - | 356,750 |

Note: Non-Executive Director and Committee fees were reduced from April to June 2020 as part of Group wide reductions in response to the global COVID-19 pandemic.

Remuneration Report

for the year ended 30 June 2021

7. KEY MANAGEMENT PERSONNEL | STATUTORY REMUNERATION TABLE 9 (continued)

| Name and Role | Year | Short-term benefits | | | Total | Employment Benefits | | Termination benefits | Long-term benefits | | Share-based payments | | Proportion of remuneration performance related % |
|---|------|---------------------|------------|-----------------------------------|-----------|---------------------|--------------------------|----------------------|--------------------|--------------------|----------------------|-------|--|
| | | Cash salary & fees | Cash Bonus | Non-cash benefits ^(vi) | | Super benefits | Post employment benefits | | Long service leave | Performance rights | Share-based payments | Total | |
| | | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | % |
| Executive Directors and Executives | | | | | | | | | | | | | |
| Current | | | | | | | | | | | | | |
| Kees Weel | 2021 | 475,000 | 0 | 17,833 | 492,833 | 34,675 | - | 19,406 | - | 546,914 | - | 0% | |
| Managing Director | 2020 | 450,000 | 100,000 | 24,861 | 574,861 | 50,250 | - | 11,827 | 6,328 | 643,536 | - | 16.5% | |
| Matthew Bryson ⁽ⁱ⁾ | 2021 | 349,615 | 0 | 25,265 | 374,880 | 29,344 | - | 17,458 | 180,955 | 602,637 | - | 30.0% | |
| Chief Operating Officer | 2020 | 304,808 | 39,000 | 21,401 | 365,209 | 35,571 | - | 6,584 | 73,230 | 480,594 | - | 23.4% | |
| Martin McIver ⁽ⁱⁱ⁾ | 2021 | 69,449 | 0 | 5,342 | 74,792 | 5,424 | - | - | - | 80,215 | - | 0% | |
| Chief Financial Officer | 2020 | - | - | - | - | - | - | - | - | - | - | - | |
| Former | | | | | | | | | | | | | |
| Stuart Smith ⁽ⁱⁱⁱ⁾ | 2021 | 294,265 | - | 14,252 | 308,516 | 35,451 | 97,500 | - | 266,135 | 707,602 | - | 37.6% | |
| Chief Financial Officer | 2020 | 304,808 | 39,000 | (8,364) | 335,444 | 35,571 | - | - | 62,952 | 433,967 | - | 23.5% | |
| Andrew Burton ^(iv) | 2021 | - | - | - | - | - | - | - | - | - | - | - | |
| General Manager, Europe | 2020 | 218,386 | 20,000 | - | 238,386 | 16,188 | - | - | - | 254,574 | - | 7.9% | |
| Jim Ryder ^(v) | 2021 | - | - | - | - | - | - | - | - | - | - | - | |
| General Manager, USA | 2020 | 142,386 | - | - | 142,386 | - | 55,698 | - | (51,227) | 146,857 | - | - | |
| Total – Executive Directors' and senior executives' Remuneration | 2021 | 1,188,329 | - | 62,692 | 1,251,021 | 104,895 | 97,500 | 36,864 | 447,089 | 1,937,369 | - | 23.1% | |
| | 2020 | 1,420,388 | 198,000 | 37,898 | 1,656,286 | 137,850 | 55,698 | 18,411 | 91,283 | 1,959,528 | - | 14.8% | |
| Total – KMP Remuneration | 2021 | 1,543,603 | - | 62,692 | 1,606,295 | 129,621 | 97,500 | 36,864 | 447,089 | 2,317,369 | - | 19.3% | |
| | 2020 | 1,754,017 | 198,000 | 37,898 | 1,989,915 | 160,971 | 55,698 | 18,411 | 91,283 | 2,316,278 | - | 12.5% | |

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

(ii) Commenced as CFO 12 April 2021

(iii) Employment ceased on 23 April 2021

(iv) Employed by PWR Europe Limited. Paid in GBP and converted to AUD at reporting date. This position is no longer regarded as KMP as it is operationally focused at PWR Europe Limited

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

(vi) Annual leave movement.

Remuneration Report

for the year ended 30 June 2021

8. SHAREHOLDINGS 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:

Table 10 Shareholdings of KMP

| Name | Shareholdings of KMP | | | | Closing Balance 30 June 2021 |
|--|--------------------------------|---------------------------------------|--|-------|---------------------------------|
| | Opening Balance 1 July 2020 | Shares acquired during the year | Shares disposed of during the year | Other | |
| Non-Executive Directors | | | | | |
| Teresa Handicott | 39,500 | – | – | – | 39,500 |
| Jeff Forbes | 20,000 | – | – | – | 20,000 |
| Roland Dane | 60,885 | – | – | – | 60,885 |
| Managing Director and Senior Executives | | | | | |
| Kees Weel ⁽ⁱ⁾ | 27,429,885 | – | (7,122,097) | – | 20,307,788 |
| Matthew Bryson ⁽ⁱⁱ⁾ | 3,526,309 | 37,330 | (175,000) | – | 3,388,639 |
| Martin Mclver | – | – | – | – | – |
| Former Senior Executives | | | | | |
| Stuart Smith ^{(iii)(iv)} | 10,000 | 56,303 | (56,303) | – | 10,000 ^(iv) |

(i) 61,385 shares held personally by Kees Weel; 20,246,403 shares held by entities controlled by Kees Weel; 10,000,000 shares held by Wagon Weel Pty Ltd as trustee for the Wagon Weel Trust. At 30 June 2021 Kees Weel is a director of the trustee and beneficiary of the trust; 10,246,403 shares held by KPW Property Holdings Pty Ltd as trustee for the KPW Holdings Trust. At 30 June 2021 Kees Weel is a director of the trustee and beneficiary of the trust.

(ii) 37,330 shares acquired by Matthew Bryson on vesting of FY2018 performance rights.

(iii) Stuart Smith ceased employment on 23 April 2021. 24,886 shares were acquired by Stuart Smith on vesting of FY2018 performance rights and 31,417 shares were acquired by Stuart Smith when the Board exercised its discretion to accelerate vesting of FY2019 performance rights as part of cessation of employment arrangements. All other performance rights lapsed and no rights were granted in FY2021.

(iv) Closing balance represents closing balance at date employment ceased (23 April 2021).

9. VOTING AND COMMENTS MADE AT THE COMPANY'S 2020 ANNUAL GENERAL MEETING

The Company received 91.91% 'for' votes on its remuneration report for the 2020 financial year. The Company did not receive any specific feedback or comments at the 2020 AGM on its remuneration report.

10. 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 Executive KMP during the reporting period are included Table 9 KMP Statutory Remuneration Table on page 45.

There were no alterations to the terms and conditions of performance rights granted as remuneration to KMP since their grant date.

Remuneration Report

for the year ended 30 June 2021

10. RIGHTS OVER EQUITY INSTRUMENTS GRANTED AS REMUNERATION (continued)

123,497 performance rights vested during the reporting period. Total Performance Rights on issue at 30 June 2021 are as follows:

Table 11 Rights Over Equity Instruments Granted as Remuneration

| Executive KMP | Description of Rights | Number of Rights granted | Fair Value per Right at Grant Date | | Grant Date | Vesting Date | Expiry Date |
|---|-----------------------|--------------------------|------------------------------------|------------------|------------|--------------|-------------|
| | | | TSR Component \$ | EPS Component \$ | | | |
| Matthew Bryson (Chief Operating Officer) | FY19 LTIP | 31,417 | 1.82 | 2.68 | 22/08/18 | 01/09/21 | 01/03/22 |
| | FY20 LTIP | 23,243 | 3.17 | 4.49 | 19/09/19 | 01/09/22 | 01/03/23 |
| | FY21 LTIP | 27,599 | 4.33 | 6.00 | 07/06/21 | 01/09/23 | 01/03/24 |
| Total on Issue to Executive KMP | | 82,259 | | | | | |
| Total on Issue to Non KMP | | 225,493 | | | | | |
| Total Vested during the reporting period | | 123,497 | | | | | |
| Total Forfeited due to resignation | | (23,243) | | | | | |
| Total on issue at 30 June 2021 | | 307,752 | | | | | |

11. EQUITY INSTRUMENTS

11.1. 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:

Table 12 Performance Rights Over Equity Instruments

| Rights | Held 1 July 2020 | Granted as compensation | Exercised | Lapsed | Forfeited | Held 30 June 2021 | Vested during year | Vested and exercisable at 30 June 2021 |
|----------------|------------------|-------------------------|-----------|--------|-----------|-------------------|--------------------|--|
| Matthew Bryson | 91,990 | 27,599 | 37,330 | - | - | 82,259 | 37,330 | - |
| Martin McIver | - | - | - | - | - | - | - | - |
| Stuart Smith | 79,546 | - | 56,303 | - | 23,243 | - | 56,303 | - |

The forfeited Rights represent those Rights that did not vest due to failure to meet service conditions.

Remuneration Report

for the year ended 30 June 2021

11. EQUITY INSTRUMENTS (continued)

During the reporting period, the following shares were issued on the exercise of Rights previously granted as compensation:

Table 13 Rights That Vested to Executive KMP During the Reporting Period

| Executive KMP | Number of shares | Amount paid per share (\$) |
|----------------|------------------|----------------------------|
| Matthew Bryson | 37,330 | \$- |
| Stuart Smith | 56,303 | \$- |

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

Table 14 Value of Rights That Vested to KMP During the Reporting Period

| | Granted in year \$(^(a)) | Value of rights exercised in year \$(^(b)) |
|----------------|--------------------------------------|--|
| Matthew Bryson | \$142,549 | \$180,955 |
| Stuart Smith | - | \$266,135 |

(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 or if shares were purchased on market, the market price paid

11.2. 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 not material.

This report is made with a resolution of the directors:



Teresa Handicott
Chairman
Brisbane
19th August 2021



Kees Weel
Managing Director
Brisbane
19th August 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2021

| | Note | 2021 \$'000 | 2020 \$'000 |
|---|------|--------------------|----------------|
| Revenue | B2 | 79,208 | 65,731 |
| Other income | B2 | 2,760 | 4,177 |
| Raw materials and consumables used | | (18,013) | (14,249) |
| Employee expenses | | (30,932) | (28,313) |
| Occupancy expenses | | (562) | (490) |
| Other expenses | | (3,498) | (3,426) |
| Profit before depreciation, net finance costs and income tax | | 28,963 | 23,430 |
| Depreciation and amortisation | C5 | (5,739) | (4,705) |
| Total depreciation and amortisation expense | | (5,739) | (4,705) |
| Finance income | | 24 | 39 |
| Finance costs | | (701) | (529) |
| Net finance (costs)/income | B4 | (677) | (490) |
| Profit before income tax | B1 | 22,547 | 18,235 |
| Income tax expense | E1 | (5,750) | (5,186) |
| Profit for the year attributable to equity holders of the parent | | 16,797 | 13,049 |
| Other comprehensive income | | | |
| Items that are or may be reclassified to profit or loss: | | | |
| Exchange differences on translating foreign operations | | (528) | (324) |
| Total comprehensive income for the year | | 16,269 | 12,725 |
| Basic and diluted earnings per share | B5 | 16.77 cents | 13.04 cents |

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

Consolidated Statement of Financial Position

At 30 June 2021

| | Note | 2021 \$'000 | 2020 \$'000 |
|--------------------------------------|------|----------------|----------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | C1 | 19,857 | 20,805 |
| Trade and other receivables | C2 | 9,341 | 6,932 |
| Inventories | C3 | 6,489 | 6,528 |
| Other assets | C4 | 1,646 | 2,912 |
| Total current assets | | 37,333 | 37,177 |
| Non-current assets | | | |
| Property, plant and equipment | C5 | 34,280 | 29,296 |
| Intangible assets | C6 | 14,915 | 15,034 |
| Deferred tax assets | E2 | 770 | 876 |
| Total non-current assets | | 49,965 | 45,206 |
| Total assets | | 87,298 | 82,383 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | C7 | 5,333 | 4,770 |
| Loans and borrowings | F1 | 1,789 | 1,882 |
| Deferred Income | F2 | 443 | 208 |
| Contract liabilities | C8 | 901 | - |
| Employee benefits | D1 | 2,626 | 2,050 |
| Current tax liabilities | E2 | 2,001 | 1,886 |
| Provisions | | 173 | 133 |
| Total current liabilities | | 13,266 | 10,929 |
| Non-current liabilities | | | |
| Loans and borrowings | F1 | 6,667 | 16,145 |
| Deferred Income | F2 | 1,746 | 798 |
| Contract liabilities | C8 | 1,351 | - |
| Employee benefits | D1 | 306 | 261 |
| Total non-current liabilities | | 10,070 | 17,204 |
| Total liabilities | | 23,336 | 28,133 |
| Net assets | | 63,962 | 54,250 |
| Equity | | | |
| Issued capital | F3 | 26,223 | 26,071 |
| Reserves | | 12 | 437 |
| Retained earnings | | 37,727 | 27,742 |
| Total equity | | 63,962 | 54,250 |

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

Consolidated Statement of Changes in Equity

for the year ended 30 June 2021

| | Note | Share Capital \$'000 | Foreign currency translation reserve \$'000 | Share based payments reserve | Retained earnings \$'000 | Total equity \$'000 |
|--|------|-------------------------|---|------------------------------------|--------------------------------|---------------------------|
| Balance at 1 July 2020 | | 26,071 | (87) | 524 | 27,742 | 54,250 |
| Total comprehensive income for the year | | | | | | |
| Profit for the year | | - | - | - | 16,797 | 16,797 |
| Other comprehensive income | | - | (528) | - | - | (528) |
| Total comprehensive income | | - | (528) | - | 16,797 | 16,269 |
| Transactions with owners, recorded directly in equity | | | | | | |
| Employee share-based payments | D3 | 152 | - | 103 | - | 255 |
| Dividends paid | F4 | - | - | - | (6,812) | (6,812) |
| Total transactions with owners | | 152 | - | 103 | (6,812) | (6,557) |
| Balance at 30 June 2021 | | 26,223 | (615) | 627 | 37,727 | 63,962 |
| 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 |

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

Consolidated Statement of Cash Flows

for the year ended 30 June 2021

| | Note | 2021 \$'000 | 2020 \$'000 |
|---|------|-----------------|----------------|
| Cash flows from operating activities | | | |
| Cash receipts from customers | | 80,111 | 62,271 |
| Government COVID-19 grants received | | 1,980 | 3,512 |
| Cash paid to suppliers and employees | | (50,723) | (45,460) |
| Cash generated from operating activities | | 31,368 | 20,323 |
| Interest paid | | (340) | (413) |
| Income tax paid | | (4,619) | (3,741) |
| Net cash from operating activities | C1 | 26,409 | 16,169 |
| Cash flows from investing activities | | | |
| Government grant income received | | 55 | 1,040 |
| Interest received | | 24 | 39 |
| Proceeds from sale of property, plant and equipment | | 4 | 19 |
| Payments for property, plant and equipment | | (10,365) | (7,763) |
| Net cash used in investing activities | | (10,282) | (6,665) |
| Cash flows from financing activities | | | |
| Dividends paid | | (6,812) | (11,802) |
| Proceeds from borrowings/(repayment of borrowings) | | (8,585) | 5,000 |
| Payment of lease liabilities | | (1,819) | (1,670) |
| Net cash used in financing activities | | (17,216) | (8,472) |
| Net (decrease)/increase in cash and cash equivalents | | | |
| Cash and cash equivalents at 1 July | | 20,805 | 20,223 |
| Effect of exchange rate fluctuations on cash held | | 141 | (450) |
| Cash and cash equivalents at 30 June | C1 | 19,857 | 20,805 |

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

Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

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 2021 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 (AASB) 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 19th August 2021.

(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) and C6 (Intangible assets).

A3 Significant accounting policies

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

Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

SECTION B BUSINESS PERFORMANCE

B1 Operating segments

The Group has two strategic divisions, which are its operating segments. These divisions offer similar products and services, but 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, OEM products, Emerging Technology products, and automotive aftermarket products for non-USA markets. |
| PWR North America | Designing and manufacturing racing and OEM and Emerging Technology products primarily for the USA market. The PWR North America segment had previously been referred to as C&R with the composition of this segment remaining the same. |

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 | | PWR North America | | Total | |
|---|--------------------------|----------------|-------------------|----------------|----------------|----------------|
| | 2021 \$'000 | 2020 \$'000 | 2021 \$'000 | 2020 \$'000 | 2021 \$'000 | 2020 \$'000 |
| Revenue from sale of manufactured products | 54,513 | 49,635 | 23,880 | 15,408 | 78,393 | 65,043 |
| Revenue from services | 423 | 525 | 392 | 163 | 815 | 688 |
| External revenues | 54,936 | 50,160 | 24,272 | 15,571 | 79,208 | 65,731 |
| Inter-segment revenues | 3,098 | 923 | 1,788 | 1,987 | 4,886 | 2,910 |
| Segment revenue | 58,034 | 51,083 | 26,060 | 17,558 | 84,094 | 68,641 |
| Operating EBITDA ¹ | 22,724 | 20,494 | 6,158 | 2,792 | 28,882 | 23,286 |
| Depreciation and amortisation | (4,391) | (3,126) | (1,348) | (1,578) | (5,739) | (4,704) |
| Segment profit/(loss) before interest and tax | 18,333 | 17,368 | 4,810 | 1,214 | 23,143 | 18,582 |
| Capital expenditure | 9,350 | 7,259 | 1,015 | 504 | 10,365 | 7,763 |

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

| | 2021 \$'000 | 2020 \$'000 |
|--|----------------|----------------|
| Reconciliation of reportable segment profit or loss | | |
| Revenues | | |
| Total revenue for reportable segments | 84,094 | 68,641 |
| Elimination of inter-segment revenue | (4,886) | (2,910) |
| Consolidated revenue | 79,208 | 65,731 |
| Profit before tax | | |
| Profit before tax for reportable segments | 23,143 | 18,582 |
| Elimination of inter-segment loss/(profit) | 81 | 143 |
| Net finance (costs)/income | (677) | (490) |
| Consolidated profit before tax | 22,547 | 18,235 |

Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

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 19% of Group's revenue for the year ended 30 June 2021 (2020 – Three customers comprised 26%).

Below is an analysis of the Group's revenue based on the location of the Group's customers.

| | 2021 | | 2020 | |
|-----------------|-------------------|--|-------------------|--|
| | Revenue \$'000 | Non-current assets ⁽ⁱ⁾ \$'000 | Revenue \$'000 | Non-current assets ⁽ⁱ⁾ \$'000 |
| Australia | 10,114 | 37,964 | 8,434 | 33,210 |
| USA | 22,199 | 9,957 | 15,648 | 11,109 |
| UK | 25,257 | 1,274 | 21,008 | 11 |
| Italy | 11,185 | – | 8,808 | – |
| Germany | 3,271 | – | 4,196 | – |
| Other Countries | 7,182 | – | 7,637 | – |
| | 79,208 | 49,195 | 65,731 | 44,330 |

(i) Excluding deferred tax assets.

B2 Revenue and other income

| | Note | 2021 \$'000 | 2020 \$'000 |
|--|------|----------------|----------------|
| Revenue from contracts with customers | | | |
| Sales of goods | | 78,393 | 65,043 |
| Rendering of services | | 815 | 688 |
| | | 79,208 | 65,731 |
| Other income | | | |
| R&D tax incentive | | 732 | 607 |
| Government grants – COVID-19 assistance | B3 | 1,980 | 3,512 |
| Government grants – incentive assistance | | 70 | – |
| | | 2,782 | 4,119 |
| Customer Revenue by Market Sector | | | |
| Motorsports | | 42,813 | 38,026 |
| Automotive Aftermarket | | 14,867 | 11,554 |
| Automotive OEM | | 11,732 | 9,956 |
| Emerging Technologies ¹ | | 8,683 | 4,082 |
| Industrial and Other | | 1,113 | 2,113 |
| | | 79,208 | 65,731 |

¹ Emerging Technology includes revenue from Aerospace and Defence across all technologies, and revenue from other market sectors generated by cold plate, micro matrix and additive manufacturing.

The Group recognised \$450,000 (2020: nil) in customer revenue from satisfying performance obligation for contract liabilities (refer Note C8).

Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

SECTION B BUSINESS PERFORMANCE (continued)

B3 Expenses and Income

Significant items

During the year, the Group received Government assistance for COVID-19 in Australia through the JobKeeper programme. The Group has received confirmation that the prior year Pay Check loan forgiveness has been approved, supporting the position adopted in the prior year financial statements.

| | 2021 \$'000 | 2020 \$'000 |
|------------------------------|----------------|----------------|
| JobKeeper assistance | 1,980 | 1,743 |
| Pay Check Protection Program | – | 1,769 |
| Total before tax assistance | 1,980 | 3,512 |

Research and Development

The Group recognised \$8,515,807 (2020: \$7,259,654) 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

| | 2021 \$'000 | 2020 \$'000 |
|-----------------------------------|----------------|----------------|
| Interest income | 24 | 39 |
| Finance income | 24 | 39 |
| Interest expense | (340) | (413) |
| Net foreign exchange loss | (361) | (116) |
| Finance costs | (701) | (529) |
| Net finance income/(costs) | (677) | (490) |

B5 Earnings per share

| | 2021 | 2020 |
|--------------------------------------|-------------|-------------|
| Basic and diluted earnings per share | 16.77 cents | 13.04 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 \$16,797,132 (2020: \$13,048,905).

| Weighted average number of ordinary shares | 2021 No. | 2020 No. |
|---|-------------|-------------|
| Issued ordinary shares at 1 July | 100,087,694 | 100,000,000 |
| Weighted number of ordinary shares at 30 June | 100,163,924 | 100,058,462 |

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 2021

SECTION C OPERATING ASSETS AND LIABILITIES

C1 Cash and cash equivalents

| | 2021 \$'000 | 2020 \$'000 |
|--|----------------|----------------|
| Bank balances | 19,857 | 20,805 |
| Cash and cash equivalents in the statement of cash flows | 19,857 | 20,805 |

Reconciliation of cash flows from operating activities

| Cash flows from operating activities | | |
|--|---------|---------|
| Profit for the year | 16,797 | 13,049 |
| Adjustments for: | | |
| Depreciation and amortisation | 5,739 | 4,705 |
| Research & development tax credit | 732 | 607 |
| Unrealised foreign exchange loss/(gain) | 563 | 394 |
| Share based remuneration | 255 | 330 |
| (Profit)/Loss on sale of property, plant and equipment | 22 | - |
| Changes in: | | |
| Trade and other receivables | (2,409) | (2,243) |
| Inventories | 39 | 663 |
| Trade and other payables | 563 | 71 |
| Other assets | 1,266 | (1,349) |
| Employee benefits | 621 | 548 |
| Other | 2,336 | (14) |
| Tax balances | (115) | (592) |
| Net cash from operating activities | 26,409 | 16,169 |

C2 Trade and other receivables

| | | |
|--|-------|-------|
| Trade receivables | 9,335 | 6,923 |
| Trade receivables due from related parties (refer Note H2) | 6 | 9 |
| | 9,341 | 6,932 |

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

| | | |
|--------------------------------------|-------|---------|
| Raw materials | 3,062 | 2,924 |
| Work in progress | 672 | 898 |
| Finished goods | 3,626 | 3,799 |
| Consumables | 115 | 98 |
| Allowance for inventory obsolescence | (986) | (1,191) |
| | 6,489 | 6,528 |

The cost of inventories sold and recognised as an expense during the year end 30 June 2021 was \$38,281,175 (2020: \$31,330,228).

Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

SECTION C OPERATING ASSETS AND LIABILITIES (continued)

C4 Other assets

| | 2021 \$'000 | 2020 \$'000 |
|---|----------------|----------------|
| Prepayments | 829 | 715 |
| Deposits | – | 490 |
| Other assets (including JobKeeper receipts) | 817 | 1,707 |
| | 1,646 | 2,912 |

C5 Property, plant and equipment

| | | |
|-------------------------------|---------------|---------------|
| Plant and equipment – at cost | 42,188 | 29,324 |
| Accumulated depreciation | (16,362) | (12,809) |
| | 25,826 | 16,515 |
| Motor vehicles – at cost | 377 | 351 |
| Accumulated depreciation | (313) | (309) |
| | 64 | 42 |
| Land and buildings – at cost | 11,607 | 10,752 |
| Accumulated amortisation | (3,691) | (1,824) |
| | 7,916 | 8,928 |
| Under construction | 474 | 3,811 |
| | 34,280 | 29,296 |

Reconciliations

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

| 2021 | Land and buildings \$'000 | Plant and equipment \$'000 | Motor vehicles \$'000 | Under construction \$'000 | Total \$'000 |
|---------------------------------------|---------------------------------|----------------------------------|-----------------------------|---------------------------------|-----------------|
| Cost | | | | | |
| Opening balance | 10,752 | 29,324 | 351 | 3,811 | 44,238 |
| Additions | 1,053 | 279 | 36 | 10,049 | 11,417 |
| Transfers | – | 13,351 | – | (13,351) | – |
| Disposals | – | (52) | – | – | (52) |
| Effect of movements in exchange rates | (215) | (714) | (10) | (35) | (974) |
| Closing balance | 11,590 | 42,188 | 377 | 474 | 54,629 |
| Accumulated depreciation | | | | | |
| Opening balance | 1,824 | 12,809 | 309 | – | 14,942 |
| Disposals | – | (26) | – | – | (26) |
| Depreciation | 1,867 | 3,858 | 14 | – | 5,739 |
| Effect of movements in exchange rates | (17) | (279) | (10) | – | (306) |
| Closing balance | 3,674 | 16,362 | 313 | – | 20,349 |
| Net carrying amount | 7,916 | 25,826 | 64 | 474 | 34,280 |

Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

SECTION C OPERATING ASSETS AND LIABILITIES (continued)

| 2020 | Land and buildings \$'000 | Plant and equipment \$'000 | Motor vehicles \$'000 | Under construction \$'000 | Total \$'000 |
|---------------------------------------|------------------------------|-------------------------------|--------------------------|------------------------------|-----------------|
| Cost | | | | | |
| Opening balance | – | 24,844 | 349 | 574 | 25,767 |
| Additions | 10,674 | 7 | – | 7,756 | 18,437 |
| Transfers | – | 4,521 | – | (4,521) | – |
| Disposals | – | (247) | – | – | (247) |
| Effect of movements in exchange rates | 78 | 199 | 2 | 2 | 281 |
| Closing balance | 10,752 | 29,324 | 351 | 3,811 | 44,238 |
| Accumulated depreciation | | | | | |
| Opening balance | – | 10,125 | 292 | – | 10,417 |
| Disposals | – | (231) | – | – | (231) |
| Depreciation | 1,824 | 2,866 | 15 | – | 4,705 |
| Effect of movements in exchange rates | – | 49 | 2 | – | 51 |
| Closing balance | 1,824 | 12,809 | 309 | – | 14,942 |
| Net carrying amount | 8,928 | 16,515 | 42 | 3,811 | 29,296 |

The land and buildings balances comprise right-of-use assets with carrying value of \$7,915,607 (2020: \$8,928,000).

The plant and equipment balance as at 30 June 2021 does not include assets with carrying amounts under finance lease (2020: \$229,200). During the year, the Group did not acquire any assets under finance lease (2020: NIL).

Right-of-use assets

The Group leases its office and factory facilities under leases are accounted for using AASB16 Leases. These leases typically run for between five (5) year and ten (10) years with options to extend.

Right-of-use assets relate to leased properties that do not meet the definition of investment property are presented as property, plant and equipment (see Note C5).

| 2021 | Land and Buildings \$'000 | Total \$'000 |
|---------------------------------------|------------------------------|-----------------|
| Right of Use Lease Assets: | | |
| Balance at beginning of year | 8,928 | 8,928 |
| Additions to right-of-use assets | 1,053 | 1,053 |
| Amortisation charge for the year | (1,850) | (1,850) |
| Effect of movements in exchange rates | (215) | (215) |
| Balance at end of year | 7,916 | 7,916 |

| 2020 | 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 | 8,928 | 8,928 |

Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

SECTION C OPERATING ASSETS AND LIABILITIES (continued)

C6 Intangible assets

| | Goodwill \$'000 | Trademarks \$'000 | Total \$'000 |
|---------------------------------------|--------------------|----------------------|-----------------|
| 2021 | | | |
| Cost | 3,930 | 10,985 | 14,915 |
| Accumulated amortisation | – | – | – |
| | 3,930 | 10,985 | 14,915 |
| 2020 | | | |
| Cost | 4,049 | 10,985 | 15,034 |
| Accumulated amortisation | – | – | – |
| | 4,049 | 10,985 | 15,034 |
| Reconciliation | | | |
| 2021 | | | |
| Carrying amount at beginning of year | 4,049 | 10,985 | 15,034 |
| Effect of movements in exchange rates | (119) | – | (119) |
| Balance at the end of the year | 3,930 | 10,985 | 14,915 |
| 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 |

Impairment

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

| | PWR Performance Products | | PWR North America | |
|------------|--------------------------|----------------|-------------------|----------------|
| | 2021 \$'000 | 2020 \$'000 | 2021 \$'000 | 2020 \$'000 |
| Goodwill | 2,122 | 1,904 | 1,808 | 2,145 |
| Trademarks | 8,432 | 8,432 | 2,553 | 2,553 |
| | 10,554 | 10,336 | 4,361 | 4,698 |

Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

SECTION C OPERATING ASSETS AND LIABILITIES (continued)

Impairment

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

Value in use is calculated based on the present value of the cash flow projections over a five year period and include a terminal value at the end of year five. The cash flow projections over the five year period are based on the Group's budget for 2022 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 PWR North American CGU, the cashflow projections include management's estimate of the expected growth from PWR North America's involvement in OEM programs as a cooling assembly supplier, growth in Emerging Technologies, 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 volatility in capital markets.

Management have considered sensitivities to the recoverable amount. The sensitivities applied includes a decrease in revenue of 10% for FY22 with revenue returning to forecast from FY23 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:

| | 2021 % | 2020 % |
|---------------------------------------|-----------|-----------|
| PWR Performance Products | % | % |
| Discount rate – pre tax | 12.0% | 13.6% |
| Terminal value growth rate | 2.0% | 2.0% |
| Revenue – compound annual growth rate | 4.4% | 2.0% |
| Average EBITDA margin | 37.4% | 35.6% |
| PWR North America | | |
| Discount rate – pre tax | 11.6% | 11.5% |
| Terminal value growth rate | 2.0% | 2.0% |
| Revenue – compound annual growth rate | 8.1% | 5.2% |
| Average EBITDA margin | 15.8% | 16.4% |

Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

SECTION C OPERATING ASSETS AND LIABILITIES (continued)

C7 Trade and other payables

Trade and other payables are carried at amortised cost.

| | 2021 \$'000 | 2020 \$'000 |
|----------------|----------------|----------------|
| Trade payables | 1,335 | 2,077 |
| Other payables | 3,998 | 2,693 |
| | 5,333 | 4,770 |

C8 Contract liabilities

The contract liabilities primarily relate to the advance consideration received from customers for performance obligations, for which revenue is recognised over time.

The amount of revenue recognised from performance obligations satisfied (or partially satisfied) in 2021 was \$450,000 (2020: nil).

| | 2021 \$'000 | 2020 \$'000 |
|----------------------------|----------------|----------------|
| Less than one year | 901 | - |
| Between one and two years | 901 | - |
| Between two and five years | 450 | - |
| Balance at end of year | 2,252 | - |

SECTION D EMPLOYEE BENEFITS

D1 Employee benefits

| | 2021 \$'000 | 2020 \$'000 |
|------------------------------|----------------|----------------|
| Current | \$'000 | \$'000 |
| Annual leave liability | 1,979 | 1,538 |
| Long service leave liability | 647 | 512 |
| | 2,626 | 2,050 |
| Non-current | | |
| Long service leave liability | 306 | 261 |

During the year ended 30 June 2021, the Group contributed \$1,432,382 (2020: \$1,315,553) 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:

| | 2021 \$'000 | 2020 \$'000 |
|------------------------------|----------------|----------------|
| Short-term employee benefits | 1,606 | 1,990 |
| Termination benefits | 98 | 56 |
| Post-employment benefits | 130 | 161 |
| Share based payments | 446 | 91 |
| Other long-term benefits | 37 | 18 |
| | 2,317 | 2,316 |

Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

SECTION D EMPLOYEE BENEFITS (continued)

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 2020 to 30 June 2023.

27,599 (2020: 46,486) 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 2021, 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 \$400,899 (2020: \$330,000) was recognised during the year and included in "employee expenses" in the statement of profit or loss and other comprehensive income.

The EPS performance hurdle for the performance rights issued during the year is based on the compound annual growth rate in EPS. The EPS performance hurdle for performance rights issued in prior years is based on the three year growth in EPS. At 30 June 2021, there were 54,660 performance rights that had been issued in prior years that are subject to the three year growth in EPS performance hurdle.

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:

| | 2021 | | 2020 | |
|---------------------------|---------------|---------------|---------------|---------------|
| | TSR component | EPS component | TSR component | EPS component |
| Fair value at grant date | \$4.33 | \$6.00 | \$3.47 | \$4.49 |
| Share price at grant date | \$6.24 | \$6.24 | \$4.78 | \$4.78 |
| Exercise price | Nil | Nil | Nil | Nil |
| Expected volatility | 36% | N/A | 37% | N/A |
| Risk free rate | 0.35% | N/A | 0.70% | N/A |
| Expected life | 3 Years | 3 Years | 3 years | 3 years |
| Expected dividends | 1.77% | 1.77% | 2.19% | 2.19% |

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

Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

SECTION E TAXATION

E1 Income tax expense

| | 2021 \$'000 | 2020 \$'000 |
|---|----------------|----------------|
| Current tax expense | | |
| Current period | 5,921 | 5,107 |
| (Over)/under provision in prior period | (536) | - |
| | 5,385 | 5,107 |
| Deferred tax expense | | |
| Origination and reversal of temporary differences | 365 | 79 |
| Total income tax expense | 5,750 | 5,186 |
| Numerical reconciliation between tax expense and pre-tax accounting profit | | |
| Profit for the period | 16,797 | 13,049 |
| Total income tax expense | 5,750 | 5,186 |
| Profit excluding income tax | 22,547 | 18,235 |
| Income tax using the Company's domestic tax rate of 30% | 6,764 | 5,470 |
| Tax effect of R&D benefit | (217) | (182) |
| Effect of tax rates in foreign jurisdictions | (392) | (224) |
| Over provision of tax on Pay Check Program in prior period | (460) | - |
| Other | 55 | 122 |
| | 5,750 | 5,186 |

Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

SECTION E TAXATION (continued)

E2 Tax assets and liabilities

Current tax assets and liabilities

The current tax liability of \$2,000,811 (2020: \$1,885,681) 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 | Recognised through Equity \$'000 | Net \$'000 | Deferred tax assets \$'000 | Deferred tax liabilities \$'000 |
|-------------------------------|------------------------------------|--|---|---------------|----------------------------------|---------------------------------------|
| 2021 | | | | | | |
| Property, plant and equipment | (1,444) | (692) | – | (2,136) | – | (2,136) |
| Intangible assets | (747) | (19) | – | (766) | – | (766) |
| Employee benefits | 784 | 213 | – | 997 | 997 | – |
| Accruals | 8 | 44 | – | 52 | 52 | – |
| Inventories | 344 | 28 | – | 372 | 490 | (118) |
| Unrealised foreign exchange | (368) | 67 | 259 | (42) | 1 | (43) |
| Tax losses | 2,293 | (929) | – | 1,364 | 1,364 | – |
| Capital raising costs | – | – | – | – | – | – |
| Other items | 6 | 923 | – | 929 | 1,337 | (408) |
| Net tax assets/(liabilities) | 876 | (365) | 259 | 770 | 4,241 | (3,471) |
| 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) |

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.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

SECTION F CAPITAL STRUCTURE AND BORROWINGS

F1 Loans and borrowings

| | 2021 \$'000 | 2020 \$'000 |
|-------------------------------|----------------|----------------|
| Current | | |
| Finance lease liability | – | 229 |
| Right-of-use liability | 1,789 | 1,653 |
| | 1,789 | 1,882 |
| Non-current | | |
| Right-of-use liability | 6,667 | 7,560 |
| Multi-currency facility loans | – | 8,585 |
| | 6,667 | 16,145 |

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

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

| | 2020 Carrying Value \$'000 | Cash flows \$'000 | Non-cash changes | | 2021 Carrying Value \$'000 |
|---|-------------------------------------|-------------------------|--|-------------------------------------|-------------------------------------|
| | | | Foreign exchange movements \$'000 | Right-of-use movements \$'000 | |
| Long term borrowings (GBP) | 3,585 | (3,585) | – | – | – |
| Long term borrowings (AUD) | 5,000 | (5,000) | – | – | – |
| Lease liabilities | 9,213 | (1,819) | (202) | 1,282 | 8,456 |
| Total liabilities from financing facilities | 17,798 | (10,404) | (202) | 1,282 | 8,456 |

Finance facilities

The terms and conditions of the Group's finance facilities at 30 June 2021 were as follows:

| Facility | Currency | Nominal interest rate | Maturity | 2021 | | 2020 | |
|----------------------------|----------|--------------------------|----------|-----------------------------|------------------------------|-----------------------------|------------------------------|
| | | | | Facility limit \$'000 | Carrying amount \$'000 | Facility limit \$'000 | Carrying amount \$'000 |
| Corporate credit card | AUD | Variable | 2023 | 100 | – | 100 | – |
| | USD | Variable | – | 100 | – | 100 | – |
| Finance lease | AUD | 5.4%–8.2% | 2023 | 7,500 | – | 7,500 | 229 |
| Multi-currency facility | AUD | Varies | 2023 | 10,000 | – | 20,000 | 8,585 |

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.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

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 | |
|----------------------------|-------------------------------|----------------|----------------|----------------|---|----------------|
| | 2021 \$'000 | 2020 \$'000 | 2021 \$'000 | 2020 \$'000 | 2021 \$'000 | 2020 \$'000 |
| Less than one year | - | 232 | - | 3 | - | 229 |
| Between one and five years | - | - | - | - | - | - |
| | - | 232 | - | 3 | - | 229 |

The Group has no operating equipment used in the manufacturing process under finance leases.

F2 Deferred income

| | Note | 2021 \$'000 | 2020 \$'000 |
|----------------------------|------|----------------|----------------|
| Less than one year | | 443 | 208 |
| Between one and five years | | 1,746 | 798 |
| Balance at end of year | 115 | 2,189 | 1,006 |

Government grants

The Group was awarded a government grant during the current period and a retention payment for a grant awarded in the prior period, together amounting to \$1.19m (2020: \$1.04m) and has been recognised as deferred income. The grants are being amortised over the useful life of the equipment in relation to which the grants were provided.

F3 Capital and reserves

| Share capital | 2021 | | 2020 | |
|--|---------------|--------|---------------|--------|
| | No. of shares | \$'000 | No. of shares | \$'000 |
| Ordinary shares | | | | |
| Balance at beginning of year | 100,087,694 | 26,071 | 100,000,000 | 25,921 |
| Issue of shares on vesting of FY17 performance rights | - | - | 87,694 | 150 |
| Issue of shares on vesting of FY18 & 19 performance rights | 92,080 | 152 | - | - |
| Balance at end of year | 100,179,774 | 26,223 | 100,087,694 | 26,071 |

Capital management

The Board aims to maintain a strong capital base 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 2021

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 |
|-----------------------|--------------------------|-----------------------|-----------------------|----------------------|
| 2021 | | | | |
| Interim 2021 ordinary | 2.80 | 2,805,034 | Franked | 26 March 2021 |
| Final 2020 ordinary | 4.00 | 4,007,191 | Franked | 25 September 2020 |
| Total amount | | 6,812,225 | | |
| 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 | | |

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

Dividend franking account

| | 2021 | 2020 |
|---|---------|---------|
| 30 percent franking credits available to shareholders of PWR Holdings Limited | 942,805 | 425,869 |

At 30 June 2021, the franking credits of the Group were 4,185,254 (2020: 3,109,903).

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

| | 2021 \$'000 | 2020 \$'000 |
|---|----------------|----------------|
| Amounts recognised in the Consolidated Profit and Loss | | |
| Total Interest on lease liabilities | (229) | (266) |
| Amounts recognised in the Consolidated Statement of Cash Flows | | |
| Total cash outflow for leases | (1,819) | (1,803) |

Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

SECTION F CAPITAL STRUCTURE AND BORROWINGS (continued)

Lease extension options

The property leases include extension options exercisable by the Group between three (3) and six (6) months before the expiry of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility and certainty. Extension options held are exercisable only by the Group and not by the lessors.

The Group assesses at the lease commencement dates whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

Other commitments

At 30 June 2021, the Group had agreed to purchase plant and equipment for \$3.3 million (2020: \$4.9 million) within 12 months.

SECTION G GROUP STRUCTURE

G1 Parent entity information

As at and throughout the financial year ended 30 June 2021, the parent and ultimate parent entity of the Group was PWR Holdings Limited.

| Statement of profit or loss and other comprehensive income | 2021 \$'000 | 2020 \$'000 |
|---|------------------------|------------------------|
| Profit/(Loss) after income tax | 8,188 | 10,896 |
| Total comprehensive income | 8,188 | 10,896 |
| Statement of financial position | | |
| Total current assets | 77 | 50 |
| Total non-current assets | 31,976 | 30,575 |
| Total assets | 32,053 | 30,625 |
| Total current liabilities | - | 202 |
| Total non-current liabilities | - | - |
| Total liabilities | - | 202 |
| Net assets | 32,053 | 30,423 |
| Equity | | |
| Issued capital | 26,223 | 26,071 |
| Reserves | 627 | 524 |
| Retained earnings | 5,203 | 3,828 |
| Total equity | 32,053 | 30,423 |

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 2021.

Significant accounting policies

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

Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

SECTION G GROUP STRUCTURE (continued)

G2 Controlled entities

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

| | Country of incorporation | Ownership interest | |
|------------------------------------|--------------------------|--------------------|--------|
| | | 2021 % | 2020 % |
| P.W.R 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 |

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:

P.W.R Performance Products Pty Ltd
PWR IP Pty Ltd

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

Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

SECTION G GROUP STRUCTURE (continued)

A consolidated statement of comprehensive income and consolidated statement of financial position, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, for the year ended 30 June 2021 is set out below.

| Statement of profit or loss and other comprehensive income | 2021 \$'000 | 2020 \$'000 |
|---|------------------------|------------------------|
| Revenue | 52,127 | 45,179 |
| Other income | 2,764 | 2,350 |
| Raw materials and consumables used | (8,696) | (6,889) |
| Employee expenses | (22,233) | (19,178) |
| Occupancy expenses | (378) | (355) |
| Other expenses | (2,511) | (2,459) |
| Profit before depreciation, net finance costs and income tax | 21,073 | 18,648 |
| Depreciation and amortisation | (4,290) | (3,119) |
| Profit before net finance costs and income tax | 16,783 | 15,529 |
| Finance income | 1,580 | 1,831 |
| Finance costs | (1,917) | (1,791) |
| Net finance income/(costs) | (337) | 40 |
| Profit before income tax | 16,446 | 15,569 |
| Income tax expense | (4,833) | (4,628) |
| Profit for the year attributable to equity holders of the parent | 11,613 | 10,941 |
| Total comprehensive income for the year | 11,613 | 10,941 |
| Retained earnings at beginning of year | 25,060 | 26,962 |
| Transfers to and from reserves | (13) | (1,041) |
| Dividends recognised during the year | (6,812) | (11,802) |
| Retained earnings at end of year | 29,848 | 25,060 |

Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

SECTION G GROUP STRUCTURE (continued)

| Statement of financial position | 2021 \$'000 | 2020 \$'000 |
|--------------------------------------|----------------|----------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 9,714 | 9,661 |
| Trade and other receivables | 8,962 | 9,940 |
| Inventories | 4,172 | 3,988 |
| Other assets | – | – |
| Total current assets | 22,848 | 23,589 |
| Non-current assets | | |
| Property, plant and equipment | 26,213 | 21,459 |
| Intangible assets | 11,751 | 11,751 |
| Related party loans | 5,990 | 12,240 |
| Investments in subsidiaries | 7,142 | 7,142 |
| Deferred tax assets | 3,486 | 337 |
| Total non-current assets | 54,582 | 52,929 |
| Total assets | 77,430 | 76,518 |
| Liabilities | | |
| Current liabilities | | |
| Trade and other payables | 2,503 | 2,432 |
| Loans and borrowings | 1,209 | 1,438 |
| Employee benefits | 2,451 | 1,895 |
| Deferred income | 1,313 | 208 |
| Tax liabilities | 1,003 | 1,051 |
| Provisions | 124 | 92 |
| Total current liabilities | 8,603 | 7,116 |
| Non-current liabilities | | |
| Loans and borrowings | 4,282 | 14,072 |
| Deferred income | 2,930 | 798 |
| Deferred tax liabilities | 3,947 | 1,511 |
| Employee benefits | 306 | 262 |
| Total non-current liabilities | 11,465 | 16,643 |
| Total liabilities | 20,068 | 23,759 |
| Net assets | 57,362 | 52,759 |
| Equity | | |
| Issued capital | 26,223 | 26,071 |
| Reserves | 1,291 | 1,628 |
| Retained earnings | 29,848 | 25,060 |
| Total equity | 57,362 | 52,759 |

Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

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 | 2021 \$'000 | 2020 \$'000 |
| Cash and cash equivalents | C1 | 19,857 | 20,805 |
| Trade and other receivables | C2 | 9,341 | 6,932 |
| | | 29,198 | 27,737 |

Cash and cash equivalents

The Group held cash and cash equivalents of \$19,857,387 at 30 June 2021 (2020: \$20,804,705), 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.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

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 | |
|-----------|-----------------|----------------|
| | 2021 \$'000 | 2020 \$'000 |
| Australia | 2,495 | 975 |
| UK | 5,152 | 4,328 |
| USA | 1,694 | 1,629 |
| | 9,341 | 6,932 |

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

| | | |
|--------------------------|--------------|-------|
| Not past due | 8,363 | 5,820 |
| Past due 1-30 days | 830 | 1,059 |
| Past due 31-60 days | 63 | 6 |
| Past due > 61 days | 85 | 47 |
| | 9,341 | 6,932 |
| Provision for impairment | - | - |
| | 9,341 | 6,932 |

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 (2020: 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\$10,000,000 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.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

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 |
| 2021 | | | | | |
| Trade and other payables | C7 | 5,333 | (5,333) | (5,333) | - |
| Foreign currency loan (GBP) | F1 | - | - | - | - |
| Local currency loan (AUD) | F1 | - | - | - | - |
| Right of use liabilities | F1 | 8,456 | (8,456) | (1,789) | (6,667) |
| Finance lease liabilities | F1 | - | - | - | - |
| | | 13,789 | (13,789) | (7,122) | (6,667) |
| 2020 | | | | | |
| Trade and other payables | C7 | 4,770 | (4,770) | (4,770) | - |
| Foreign currency loan | F1 | 3,585 | (3,672) | (87) | (3,585) |
| Local currency loan (AUD) | F1 | 5,000 | (5,105) | (105) | (5,000) |
| Right of use liabilities | F1 | 9,213 | (9,213) | (1,653) | (7,560) |
| Finance lease liabilities | F1 | 229 | (232) | (232) | - |
| | | 22,244 | (22,992) | (6,847) | (16,145) |

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 2021, the Group had entered into participating forward contracts to manage its exposure to sales denominated in GBP. These contracts, which settle monthly until 30 December 2021, have a total notional amount of £3.9 million (2020: £1.15 million) and have been accounted for at fair value through the profit and loss. The fair value at year end was a liability of \$54,240 (2020: \$105,123 asset).

During the year ended 30 June 2021, the Group recognised \$202,892 in realised gains (2020: \$172,362 gain) and \$563,280 in unrealised losses on derivatives (2020: \$288,506 loss). This has been included in finance income or costs in the income statement.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

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:

| | Note | 30 June 2021 | | | 30 June 2020 | | |
|---|------|---------------|--------------|---------------|---------------|--------------|---------------|
| | | AUD \$'000 | GBP £'000 | USD \$'000 | AUD \$'000 | GBP £'000 | USD \$'000 |
| Trade receivables | C2 | 2,574 | 2,722 | 1,302 | 1,145 | 2,255 | 1,193 |
| Trade payables | C7 | (625) | (254) | (419) | (682) | (305) | (476) |
| Foreign currency loan | F1 | - | - | - | (5,000) | (2,000) | - |
| Net statement of financial position exposure | | 1,949 | 2,468 | 883 | (4,537) | (50) | 717 |
| Notional amount of foreign currency derivatives | | - | 3,900 | - | - | 1,150 | - |

Sensitivity analysis

At 30th June, exchange rates used to translate the above were 0.5426 to the GBP and 0.7512 to the USD (2020: 0.5579 to the GBP and 0.6854 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 2020, 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 2021 | | | | |
| GBP (10% movement) | (318) | 289 | (318) | 289 |
| USD (10% movement) | (82) | 75 | (82) | 75 |
| 30 June 2020 | | | | |
| GBP (10% movement) | 6 | (6) | 6 | (6) |
| USD (10% movement) | (73) | 67 | (73) | 67 |

Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

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:

| | Note | Nominal amount | |
|----------------------------------|------|----------------|----------------|
| | | 2021 \$'000 | 2020 \$'000 |
| Fixed rate instruments | | | |
| Financial liabilities | | – | (229) |
| | | – | (229) |
| Variable rate instruments | | | |
| Financial assets | C1 | 19,857 | 20,805 |
| Financial liabilities | F1 | – | (8,585) |
| | | 19,857 | 12,220 |

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 2021 | | | | |
| Variable rate instruments | 139 | (139) | 139 | (139) |
| Cash flow sensitivity (net) | 139 | (139) | 139 | (139) |
| 30 June 2020 | | | | |
| Variable rate instruments | 85 | (85) | 85 | (85) |
| Cash flow sensitivity (net) | 85 | (85) | 85 | (85) |

Fair values

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

Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

SECTION H OTHER INFORMATION (continued)

H2 Related party information

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

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

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

| Entity | Transaction | Transaction values during the year | | Balance outstanding Receivable/(Payable) | |
|---|----------------|------------------------------------|-------------|--|-------------|
| | | 2021 \$'000 | 2020 \$'000 | 2021 \$'000 | 2020 \$'000 |
| Bayswater Road Radiators Pty Ltd ⁽ⁱ⁾ | Sales of goods | 51 | 45 | 6 | 9 |
| Triple Eight Race Engineering Pty Ltd ⁽ⁱⁱ⁾ | Sales of goods | 5 | 2 | - | - |

(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

| | 2021 \$ | 2020 \$ |
|--|---------|---------|
| Audit services | | |
| Auditors of the Group – KPMG | | |
| <i>Audit and review of financial statements</i> | 143,500 | 144,000 |
| <i>Accountability GB</i> | | |
| Audit and review of financial statements – controlled entities | 15,837 | 14,075 |
| Other services | | |
| Auditors of the Group - KPMG | | |
| IT Advisory services | 21,450 | 68,407 |

H4 Subsequent events

The Board declared a fully franked final ordinary dividend of 6.00 cents per share. The financial effect of the 2021 declared final dividend has not been brought to account in the consolidated financial statements for the year ended 30 June 2021.

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.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

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 2020. A number of other new standards are effective from 1 July 2020 but they do not have a material effect on the Group's financial statements.

In April 2021, the International Financial Reporting Standards Interpretation Committee (IFRIC) issued a final agenda decision, Configuration or Customisation Costs in a Cloud Computing Arrangement. The decision discusses whether configuration or customisation expenditure relating to Software-as-a-Service (SaaS) arrangements is able to be recognised as an intangible asset and if not, over what time period the expenditure is expensed. The Group has adopted this agenda decision within the financial statements.

The Group has not extensively utilised SaaS arrangements and the historical accounting policy has been to expense all such costs in the profit or loss over the period in which the service is received. The adoption of this agenda decision has not impacted the financial statements of the Group.

New Standards and Interpretations Not Yet Adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2021 reporting and have not been early adopted by the Group.

The most significant of these to the Group are AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements and Other Amendments, and AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current.

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

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

Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

SECTION I SIGNIFICANT ACCOUNTING POLICIES (continued)

1 Basis of consolidation

Subsidiaries

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

Transactions eliminated on consolidation

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

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.

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.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

SECTION I SIGNIFICANT ACCOUNTING POLICIES (continued)

Termination benefits

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

Defined contribution funds

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

5 Finance income and finance costs

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

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

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

6 Income Tax

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

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

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

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

In determining the amount of current and deferred tax the Group considers 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.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

SECTION I SIGNIFICANT ACCOUNTING POLICIES (continued)

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:

| | 2021 | 2020 |
|---------------------|------------|------------|
| 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.

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.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

SECTION I SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

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 most of the liability over the next year.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

SECTION I SIGNIFICANT ACCOUNTING POLICIES (continued)

12 Leases

Leased assets

Assets held by the Group under finance 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. After initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are recognised in the Group's statement of financial position under AASB16. These assets are classified as right-of-use assets and are presented as property, plant and equipment. Further information about the right-of-use assets is included in Note C5 – Property, Plant and Equipment.

AASB 16 Leases

The Group, as a lessee, assesses whether a contract is or contains 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.

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. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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 asset.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

SECTION I SIGNIFICANT ACCOUNTING POLICIES (continued)

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. After 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. After 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. After initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

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.

Several 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 I13 – 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 2021

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 49 to 85 and the Remuneration report on pages 32 to 48 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 2021 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 2021.
4. The directors draw attention to Note A2 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of directors.



Kees Weel

Director

Brisbane

19th August 2021

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

for the year ended 30 June 2021



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 2021 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 2021;
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

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

Basis for opinion

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

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

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (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

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.

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

for the year ended 30 June 2021



| Valuation of goodwill and intangible assets \$14.9m | |
|---|--|
| Refer to Note C6 to the Financial Report | |
| The key audit matter | How the matter was addressed in our audit |
| <p>A key audit matter for us was the Group's annual testing of goodwill and intangible assets for impairment given the size of the balance (being 17% of total assets).</p> <p>We focused on the significant forward-looking assumptions the Group applied in their value in use models, including:</p> <ul style="list-style-type: none"> • forecast cash flows – the Group experienced business disruption as a result of COVID-19. 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 PWR North America (PWR NA) Cash Generating Unit (CGU) includes the Group's estimate of the expected growth from PWR NA's involvement in original equipment manufacture (OEM) programs and emerging technologies. The Group's model is sensitive to changes, and negative changes to these assumptions reduces available headroom. This drives additional audit effort specific to the feasibility of forecast growth rates. • discount rates – these are complicated by nature and vary according to the conditions and environment the specific CGU is subject to from time to time. <p>The Group uses complex models in performing their annual impairment testing. These models use forward looking assumptions based on the Group's budgeting and business plans, and a range of other internal and external sources as inputs to the assumptions. Complex modelling using forward-looking assumptions tend to be prone to greater risk for potential bias, error and inconsistent application. These conditions necessitate additional scrutiny by us, in particular to address the objectivity of sources used for assumptions, and their consistent application.</p> <p>We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.</p> | <p>Our procedures included:</p> <ul style="list-style-type: none"> • We considered the appropriateness of the value in use 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 PWR NA's ability to convert OEM and emerging technology 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 2021



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.

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 2021



Report on the audit of the Financial Report

Opinion

In our opinion, the Remuneration Report of PWR Holdings Limited for the year ended 30 June 2021 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 36 to 48 of the Directors' Report for the year ended 30 June 2021.

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

KPMG

Erin Neville-Stanley
Partner
Brisbane
19 August 2021

ASX Additional Information

Shareholder Information at 27 July 2021

DISTRIBUTION OF EQUITY SECURITY HOLDERS

The following table shows the distribution of PWR shareholders by size of shareholding and number of shareholders and shares at 27 July 2021.

| Category | Number of Ordinary shares | Number of Security Holders |
|------------------|---------------------------|----------------------------|
| 1 – 1,000 | 645,874 | 1,489 |
| 1,001 – 5,000 | 4,785,226 | 1,747 |
| 5,001 – 10,000 | 4,095,651 | 554 |
| 10,001 – 100,000 | 8,215,051 | 355 |
| 100,001 and over | 82,437,972 | 23 |
| | 100,179,774 | 4,168 |

85 shareholders hold less than a marketable parcel of ordinary shares of 69 shares as at 27 July 2021.

TWENTY LARGEST SHAREHOLDERS

The following table sets out the 20 largest shareholders of ordinary shares listed on our shareholder register and the details of their shareholding as at 27 July 2021.

| Name | Number of ordinary shares held | Percentage of capital held % |
|--|--------------------------------|------------------------------|
| 1 HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 20,295,471 | 20.26 |
| 2 J P MORGAN NOMINEES AUSTRALIA PTY LIMITED | 19,443,640 | 19.41 |
| 3 KPW PROPERTY HOLDINGS PTY LTD <KPW HOLDINGS A/C> | 10,246,403 | 10.23 |
| 4 WAGON WHEEL CO PTY LTD <WAGON WHEEL A/C> | 10,000,000 | 9.98 |
| 5 CITICORP NOMINEES PTY LIMITED | 7,784,020 | 7.77 |
| 6 MAMLEC PTY LTD <BRYSON FAMILY A/C> | 3,325,000 | 3.32 |
| 7 ANACACIA PTY LTD <WATTLE FUND A/C> | 2,335,438 | 2.33 |
| 8 NATIONAL NOMINEES LIMITED | 1,973,424 | 1.97 |
| 9 BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C> | 1,738,132 | 1.74 |
| 10 UBS NOMINEES PTY LTD | 1,095,080 | 1.09 |
| 11 NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT> | 836,591 | 0.84 |
| 12 TRUEBELL CAPITAL PTY LTD <TRUEBELL INVESTMENT FUND> | 633,125 | 0.63 |
| 13 NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C> | 434,352 | 0.43 |
| 14 BNP PARIBAS NOMS PTY LTD <DRP> | 426,557 | 0.43 |
| 15 BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C> | 414,123 | 0.41 |
| 16 WASK MANAGEMENT PTY LTD <THE USHER INVESTMENT A/C> | 364,575 | 0.36 |
| 17 WEELY'S PTY LTD <WEELY'S PTY LTD A/C> | 217,181 | 0.22 |
| 18 UQ ENDOWMENT FUND LTD <THE UQ ENDOWMENT FUND A/C> | 160,000 | 0.16 |
| 19 CITICORP NOMINEES PTY LIMITED <DPSL A/C> | 159,802 | 0.16 |
| 20 MS DESLEA MARY SNEDDON | 150,250 | 0.15 |
| Top 20 holders of ordinary fully paid shares | 82,033,164 | 81.08 |
| Total remaining holders balance | 18,146,610 | 18.92 |

ASX Additional Information

Shareholder Information at 27 July 2021

SUBSTANTIAL SHAREHOLDERS

At 27 July 2021, PWR Holdings Limited had 6 substantial shareholders who, together with their associates, hold five per cent or more of the voting rights in PWR, as notified to PWR under the Australian Corporations Act.

| Shareholder | Number |
|-------------------------------------|------------|
| KPW Property Holdings Pty Ltd | 10,246,403 |
| Wagon Wheel Co Pty Ltd | 10,000,000 |
| Perennial Value Management Ltd | 6,109,243 |
| FIL Limited | 6,092,515 |
| Perpetual Limited | 5,358,768 |
| 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 |
|--------------------------|---------------------------|
| 7 | 307,752 |

VOTING RIGHTS

Ordinary shares

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

Securities Exchange

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

Ticker Code

ASX:PWH

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
Kees Weel
Jeffrey Forbes
Roland Dane

COMPANY SECRETARY

Lisa Dalton

PRINCIPAL REGISTERED OFFICE

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