



# Annual Report 2022



PWR Holdings Limited (ASX:PWH)



## About Us

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.

## About this Report

PWR's 2022 Annual Report presents an integrated view of PWR's social, environmental, operating and financial performance for the year ended 30 June 2022. The report describes how we create value through our business activities, focusing on what matters most to our many stakeholders and our business. It covers our performance and our future plans to address the challenges that come with growth as well as the challenges of a changing climate and the part we play in addressing these challenges.

This Annual Report is provided for the benefit of all PWR's stakeholders.

## Corporate Governance Statement

PWR's Corporate Governance Statement discloses the extent to which PWR has complied with the ASX Corporate Governance Council's Corporate Governance Principles & Recommendations (4th edition). This Statement is available at [www.pwr.com.au/investors/corporate-governance](http://www.pwr.com.au/investors/corporate-governance).

## About PWR

PWR Holdings Limited (ABN 85 105 326 850) (PWR) is a company limited by shares, is incorporated and domiciled in Australia and is listed on the Australian Stock Exchange (ASX:PWHL).

PWR is the parent company of the PWR consolidated group of companies. Unless otherwise stated in this report, all references to PWR, the Group, the Company, we, us and our, refer to PWR Holdings Limited and its controlled entities as a whole.

References to 2022, the financial year or FY are to the year ended 30 June 2022 unless stated otherwise. All dollar figures are expressed in Australian currency unless otherwise stated. An electronic version of this report is available [www.pwr.com.au/investors/reports](http://www.pwr.com.au/investors/reports).

In consideration of the environmental footprint associated with the production of the Annual Report, printed copies of the Annual Report will be posted only to shareholders who have requested a printed copy.

## Annual General Meeting

Friday, 4 November 2022 at PWR's manufacturing facility at Ormeau, Queensland, Australia.

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## Performance Snapshot

# FY22 Performance Snapshot

## Achievements

### REVENUE

**\$101.1m** ↑ 27.6%

### EBITDA

**\$35.7m** ↑ 23.4%

### NPAT

**\$20.8m** ↑ 24.1%

### EARNINGS PER SHARE

**20.8c** ↑ 24.0%

### DIVIDENDS PER SHARE

**12.0c** ↑ 36.4%

### HEADCOUNT

**451** ↑ 24.2%

### ADMITTED TO S&P ASX300

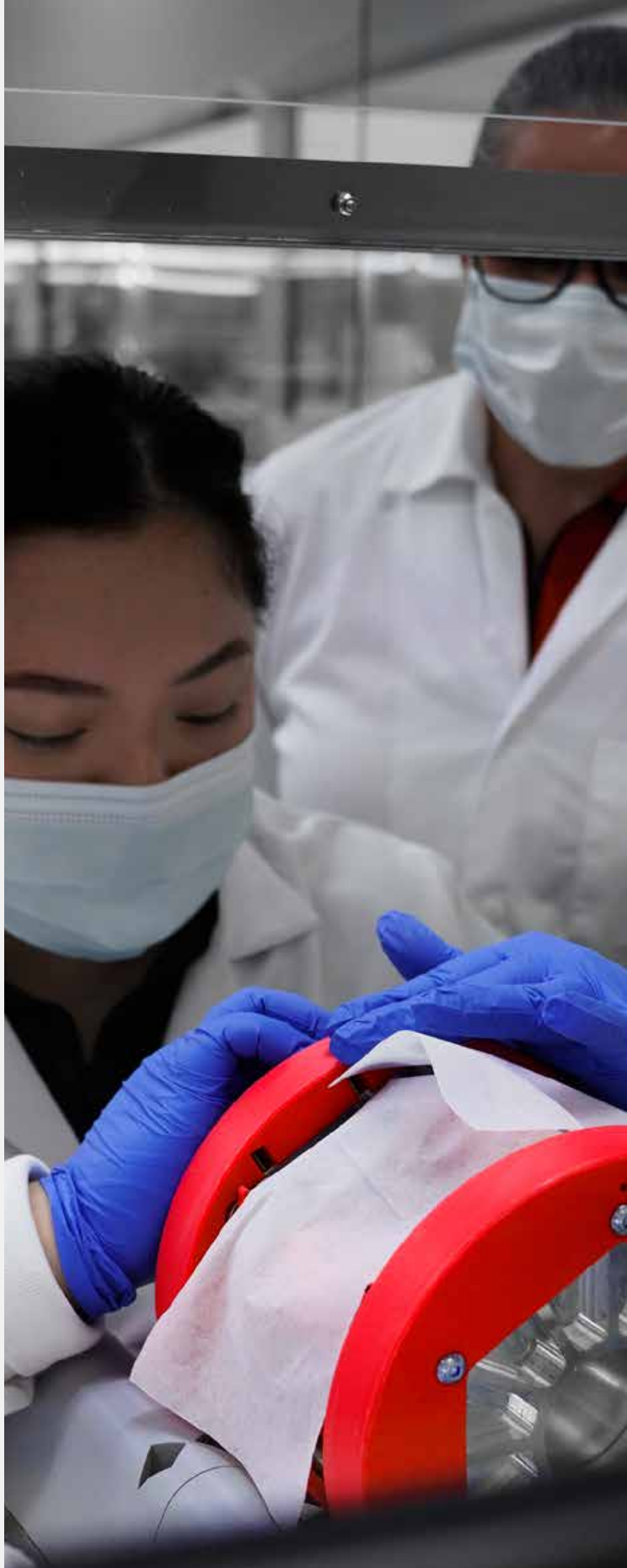
### NADCAP ACCREDITATION

## Challenges

Covid-19 and employee absences

Supply chain challenges

Competition for talent in current labour market



# What we do and How we Create Sustainable Value

## Vision

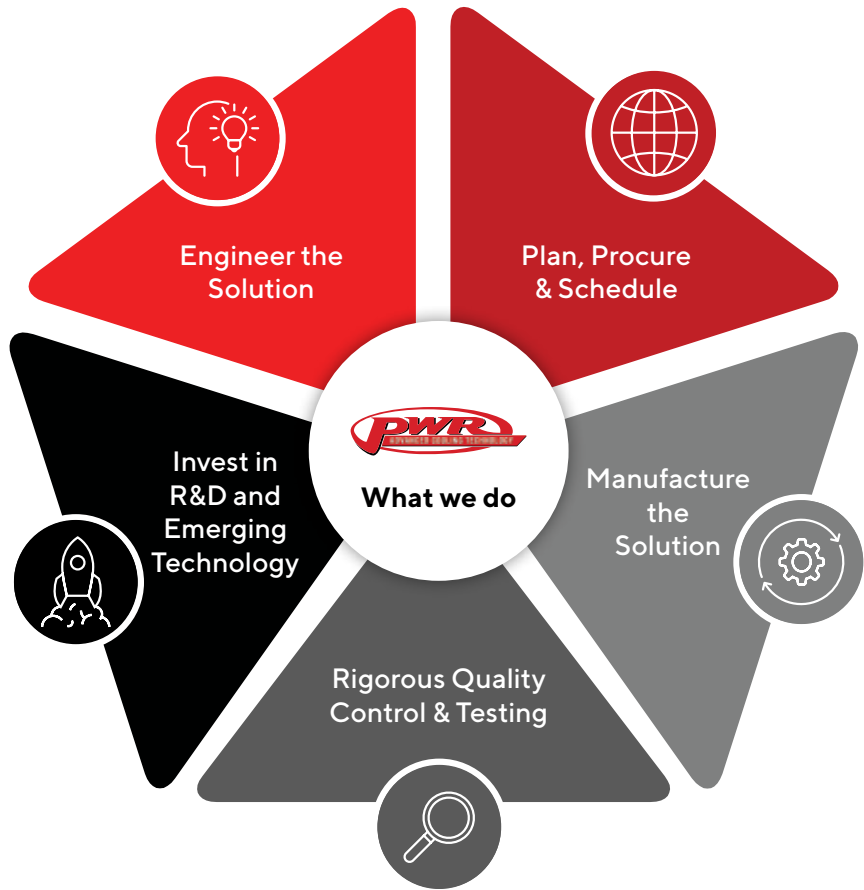
The Global Leader in Cooling Technology Inspired by Engineering Excellence

## 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

## Goals

- Growth
- Profitability
- Excellence



## Inputs



### Customers and Stakeholders

Our customers, shareholders, suppliers and regulators



### People and Culture

The passion, experience, capability and diversity of our employees



### Emerging Technology and New Industries

Investing in R&D and learning and development



### Intellectual Capital

Our technology, systems, processes and know-how



### Developing a Sustainability Framework

A long term view of what PWR can do to support our planet, our customers and our business

## Outcomes

### Customers and Stakeholders

Delivering value through true partnerships, problem solving and transparent communication

### People and Culture

Safe, high performing team with outstanding industry experience and a can-do attitude to meet our customers' expectations

### Emerging Technology and New Industries

Leveraging existing technology to new industries and continuous innovation and learning to remain an industry leader

### Intellectual Capital

Industry leading capability that delivers high quality and bespoke solutions to our customers

### Developing a Sustainability Framework

A strategy that aligns with the long-term sustainability aims of both PWR and our customers

# Growth | Profitability | Excellence



**Teresa Handicott**  
Chairman

## I am delighted to present to you PWR's 2022 annual report in what has been a record year for PWR.

PWR delivered a record result for the 2022 financial year, with Net Profit After Tax (NPAT) of \$20.8m up 24.1% on the prior period (FY21: \$16.8m). The Group continued to deliver on its growth objective through implementation of its strategy, ongoing capital investment and research and development programs while still producing a strong return on equity at 27% (FY21: 26%).

Cash flows were impacted by the decision to increase inventories of raw materials in response to global supply chain challenges, including the impact of the war in Ukraine on global aluminium supplies. The decision to increase inventories of raw materials has resulted in an EBITDA to operating cash conversion ratio of 66% (FY21: 108%). The Group retains a strong cash balance at 30 June 2022 of \$21.5m (FY21: \$19.9m) and remains debt free, with access to its \$10m multicurrency and \$7.5m equipment finance facilities to support future operational requirements, if required.

Considering these results and balance sheet position, the Board has declared a fully franked final dividend of 8.50 cents per share, taking the full year dividend to 12.00 cents per share, an increase of 36.4% on last year's full year dividend (FY21: 8.80 cents per share).

During the year, we continued to invest in our people and their development with the commencement of a front line leadership program, focusing initially on participants' understanding their own behavioural leadership styles and their impact on those they lead and work with. We also invested in leading edge technology and equipment to support our new PWR North America aerospace and defence machine shop which is scheduled to open in September 2022. To ensure a solid foundation for our growth plans, we have also invested in our systems and processes with the commencement of a review and

optimisation of our current ERP system and assessment of a number of global human resource management systems with selection to be made in FY23.

Last year we made a significant step forward with the achievement of AS9100 certification (Rev D) to support our growth into the aerospace and defence industry. This year we have added to our capabilities by achieving Nadcap® Accreditations for our chemical processing and heat treating applications. The accreditation follows recent site audits of both chemical processing and heat treating applications and sets PWR up extremely well to support the targeted growth in our aerospace and defence business.

COVID-19 continued to have an impact on PWR's business during FY22, with the challenge of managing unplanned staff absences and disruptions to our supply chain. Kees and the PWR team remained focused and as always, passionate about delivering returns to shareholders. Their efforts and focus were guided by PWR's strategic objectives of growth, profitability and excellence and a risk culture that saw us proactively manage employee absences and supply chain constraints caused by COVID-19.

The Board recognises that what has been achieved in FY22 in the face of these challenges 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 to deliver innovative and high-quality products, using our advanced technology while also looking after their team mates and isolating and wearing masks when required.

Looking ahead, we are focused on delivering growth, profitability and excellence and putting plans in place now to support PWR's future.

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

# Powering Ahead



*Kees Weel*

**Kees Weel**  
Founder & Managing Director

PWR has performed strongly during the 2022 financial year despite the ongoing impacts of COVID-19 and the global supply chain challenges.

PWR has delivered solid revenue and profit growth across all major market sectors, in particular emerging technologies. We have maintained a strong balance sheet and are well prepared to deliver on opportunities in the next few years.

| Financial Highlights                | FY22      | FY21     | Change  |   |
|-------------------------------------|-----------|----------|---------|---|
| Revenue                             | \$101.1m  | \$79.2m  | 27.6%   | ↑ |
| NPAT                                | \$20.8m   | \$16.8m  | 24.1%   | ↑ |
| Ordinary DPS                        | 12.00 cps | 8.80 cps | 36.4%   | ↑ |
| Cash on Hand                        | \$21.5m   | \$19.9m  | 8.3%    | ↑ |
| EBITDA to operating cash conversion | 66%       | 108%     | (42.5%) | ↓ |
| Employee Headcount                  | 451       | 363      | 24.2%   | ↑ |

## Cashflow

The EBITDA to cash conversion ratio was impacted by a deliberate decision to increase the amount of raw material inventory in response to global supply chain challenges. Our EBITDA to cash conversion ratio was 66%.

The cash balance has increased from \$19.9m at 30 June 2021 to \$21.5m at 30 June 2022. We believe we have achieved a balanced outcome for all stakeholders and expected future business requirements by declaring a fully franked final dividend of 8.50 cents per share.

## Revenue

Group revenue grew strongly in FY22 with solid growth across all key market sectors including motorsports, automotive aftermarket, automotive OEM (Original Equipment Manufacturers) and aerospace and defence. Revenue also grew across all major geographic markets with the strongest growth in Europe which grew an impressive 35.9% due to growth in automotive OEM and emerging technologies.

## Managing Director's Review

# Powering Ahead

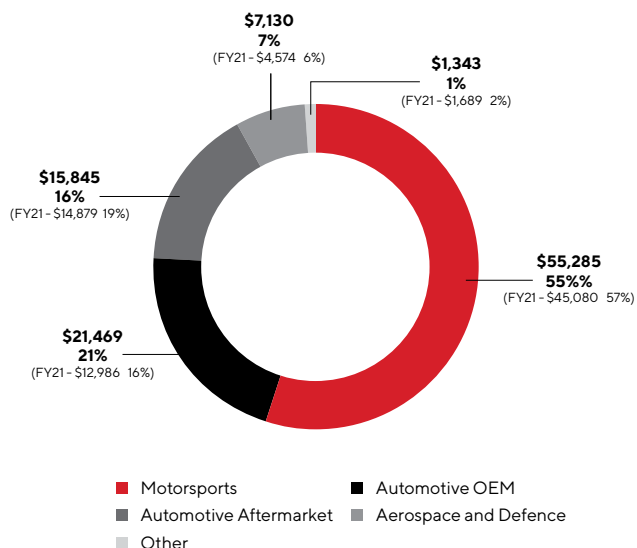
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Favourable foreign currency movements during FY22 accounted for a 1.8% increase in revenue.

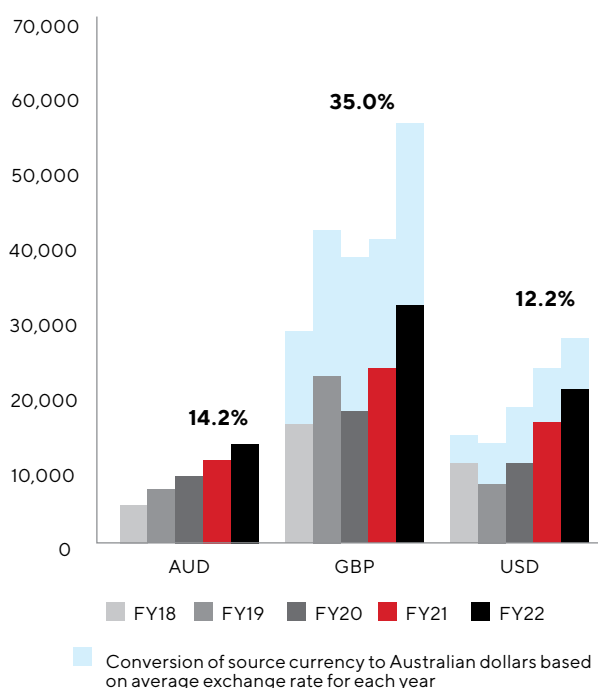
| Revenue by Customer Market | FY22                               |  |                 |      | FY21                               |  |                 |      | Growth |       |
|----------------------------|------------------------------------|--|-----------------|------|------------------------------------|--|-----------------|------|--------|-------|
|                            | Ad-<br>vanced<br>Cooling<br>\$'000 | Emerging<br>Tech-<br>nologies <sup>1</sup><br>\$'000 | Total<br>\$'000 | %    | Ad-<br>vanced<br>Cooling<br>\$'000 | Emerging<br>Tech-<br>nologies <sup>1</sup><br>\$'000 | Total<br>\$'000 | %    | \$'000 | %     |
| Motorsports                | 47,476                             | 7,809  | 55,285          | 55%  | 42,813                             | 2,267  | 45,080          | 57%  | 10,205 | 23%   |
| Automotive OEM             | 18,007                             | 3,462  | 21,469          | 21%  | 11,732                             | 1,254  | 12,986          | 16%  | 8,483  | 65%   |
| Automotive Aftermarket     | 15,485                             | 360  | 15,845          | 16%  | 14,867                             | 12   | 14,879          | 19%  | 966    | 6%    |
| Aerospace & Defence        | -                                  | 7,130  | 7,130           | 7%   | -                                  | 4,574  | 4,574           | 6%   | 2,556  | 56%   |
| Other                      | 671                                | 672  | 1,343           | 1%   | 1,113                              | 576  | 1,689           | 2%   | (346)  | (20%) |
|                            | 81,639                             | 19,433   | 101,072         | 100% | 70,525                             | 8,683  | 79,208          | 100% | 21,864 | 28%   |

Emerging technologies which includes revenue from aerospace and defence, and revenue from other market sectors generated from cold plate, micro matrix and additive manufacturing, grew 124% and now represents 19% of total revenue.

### FY22 Sales Market Analysis (\$'000) (FY21 Comparatives)



### Sales to third parties by currency ('000)



<sup>1</sup> Emerging Technologies includes revenue from Aerospace and Defence across all technologies, and revenue from other market sectors generated by cold plate, micro matrix and additive manufacturing





### **PWR Australia and Europe**

PWR Performance Products (based in Australia) and PWR Europe continue to supply most motorsport categories with cooling technology. In FY22 the supply of cooling technology to automotive OEM and the supply of emerging technologies to existing and new customer markets have been significant growth drivers for the business.

### **PWR C&R**

PWR C&R (based in the USA) has successfully delivered automotive OEM and emerging technology programs, including solid growth in the automotive aftermarket.

PWR C&R is well placed to further develop these market sectors, supported by investment in new factory capacity and expanded equipment capacity and capability.

### **Centres of Excellence**

PWR has 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 collectively focus 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 FY22, 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, electric and hybrid vehicle and alternative energy sectors.

### **The Future**

Visibility of our growth potential for the next 5 to 10 years has never been better and this allows us to invest with confidence.

To support growth in FY22, PWR increased the headcount from 363 to 451. PWR expects continued growth in FY23 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 FY23 another record year on all fronts.

## How We Create Sustainable Value

# Operating and Financial Review

### Summary of financial results

|  | <b>FY22<br/>A\$'000</b> | <b>FY21<br/>A\$'000</b> | <b>Change<br/>%</b> |
|--|-------------------------|-------------------------|---------------------|
| Revenue  | 101,072                 | 79,208                  | 27.6%               |
| EBITDA <sup>1</sup>                              | 35,747                  | 28,963                  | 23.4%               |
| EBITDA <sup>1</sup> margin                       | 35.4%                   | 36.6%                   |                     |
| Net profit after tax (NPAT)                      | 20,843                  | 16,797                  | 24.1%               |
| Operating cash flow (excluding interest and tax) | 33,522                  | 31,368                  | (25.0%)             |
| Basic and diluted earnings per share             | 20.79 cents             | 16.77 cents             | 24.0%               |

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.

### EBITDA Reconciliation

A reconciliation of EBITDA<sup>1</sup> to the reported profit before tax in the consolidated statement of profit or loss and other comprehensive income is as follows:

|                                    | <b>FY22<br/>A\$'000</b> | <b>FY21<br/>A\$'000</b> |
|------------------------------------|-------------------------|-------------------------|
| Profit for the period before tax   | 28,492                  | 22,547                  |
| Add : net finance costs / (income) | 30                      | 677                     |
| Add : depreciation & amortisation  | 7,225                   | 5,739                   |
| EBITDA <sup>1</sup>                | 35,747                  | 28,963                  |

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 27.6% compared to the prior corresponding period. Organic revenue increased by 25.8% plus favourable exchange rate movements of 1.8%.

The above growth was primarily driven by third party sales out of the United Kingdom, Australia, and the United States of America, where sales grew 35.9%, 34.1% and 17.9% respectively.

Exchange rate movements saw the GBP being (4.6%) weaker at 30 June 2022 and the US dollar being 8.3% stronger compared to the prior period. Average rates during the financial year saw the GBP 1.6% stronger and the US dollar 2.8% stronger than the prior period.

The net impact of exchange rate movements had a favourable impact on revenue for the year of \$1.46m (FY21: unfavourable \$3.40m).

### EBITDA

Assisted by the positive impact on revenue of foreign exchange rate movements, EBITDA in FY22 compared to the prior corresponding period was stronger mainly due to:

- Solid revenue growth across the motorsports, OEM, aerospace and defence, and automotive aftermarket sectors;
- Production costs control; and
- Administration and overhead costs control.

### Net profit after tax

Net profit after tax of the Group for the year ended 30 June 2022 was \$20.84 million (FY21: \$16.80 million).

### Operating cash flow

The Group cash conversion rate was impacted by the decision to increase inventories of raw materials in response to global supply chain challenges, including the impact of the war in Ukraine on global aluminium supplies. FY22 operating cash flow (excluding interest and tax) was \$23.52 million, a conversion of 66% 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:

|                          | FY22  | FY21  |
|--------------------------|-------|-------|
| British pounds (GBP)     | 58.0% | 53.8% |
| US dollars (USD)         | 28.6% | 31.2% |
| Australian dollars (AUD) | 13.4% | 15.0% |

## Balance sheet management

The balance sheet remains strong with cash of \$21.5 million (FY21: \$19.9 million).

Working capital utilisation has increased from 65 days at 30 June 2021 to 130 days at 30 June 2022 due largely to the increase in raw material inventory in response to global supply chain challenges.

Capital expenditure for the year was \$5.0 million (FY21: \$10.4 million). The capital expenditure was lower than the prior corresponding period due to the timing of purchase orders being placed and extended equipment delivery times. 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 expected contribution of EBITDA to operating cash flows, the Board has declared a final 2022 dividend of 8.50 cents per share bringing the total dividend paid to 12.00 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 C&R which comprises its USA operations. The performance of the operating segments are outlined below:

|   | PWR Performance Products |             | PWR C&R     |             | Total       |             |
|---|--------------------------|-------------|-------------|-------------|-------------|-------------|
|   | 2022 \$'000              | 2021 \$'000 | 2022 \$'000 | 2021 \$'000 | 2022 \$'000 | 2021 \$'000 |
| External revenues                             | 73,143                   | 54,936      | 27,929      | 24,272      | 101,072     | 79,208      |
| Inter-segment revenues                        | 3,916                    | 3,098       | 3,621       | 1,788       | 7,537       | 4,886       |
| Segment revenue                               | 77,059                   | 58,034      | 31,550      | 26,060      | 108,609     | 84,094      |
| Segment EBITDA <sup>1</sup>                   | 28,538                   | 22,724      | 7,384       | 6,158       | 35,922      | 28,882      |
| Depreciation and amortisation                 | (5,776)                  | (4,391)     | (1,449)     | (1,348)     | (7,225)     | (5,739)     |
| Segment profit/(loss) before interest and tax | 22,762                   | 18,333      | 5,935       | 4,810       | 28,697      | 23,143      |
| Capital expenditure                           | 3,003                    | 9,350       | 2,020       | 1,015       | 5,023       | 10,365      |

<sup>1</sup> Segment EBITDA is the segment's profit from operations before interest, taxation, depreciation and amortisation.

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 2022 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 2022, in addition to the items outlined above, the Group:

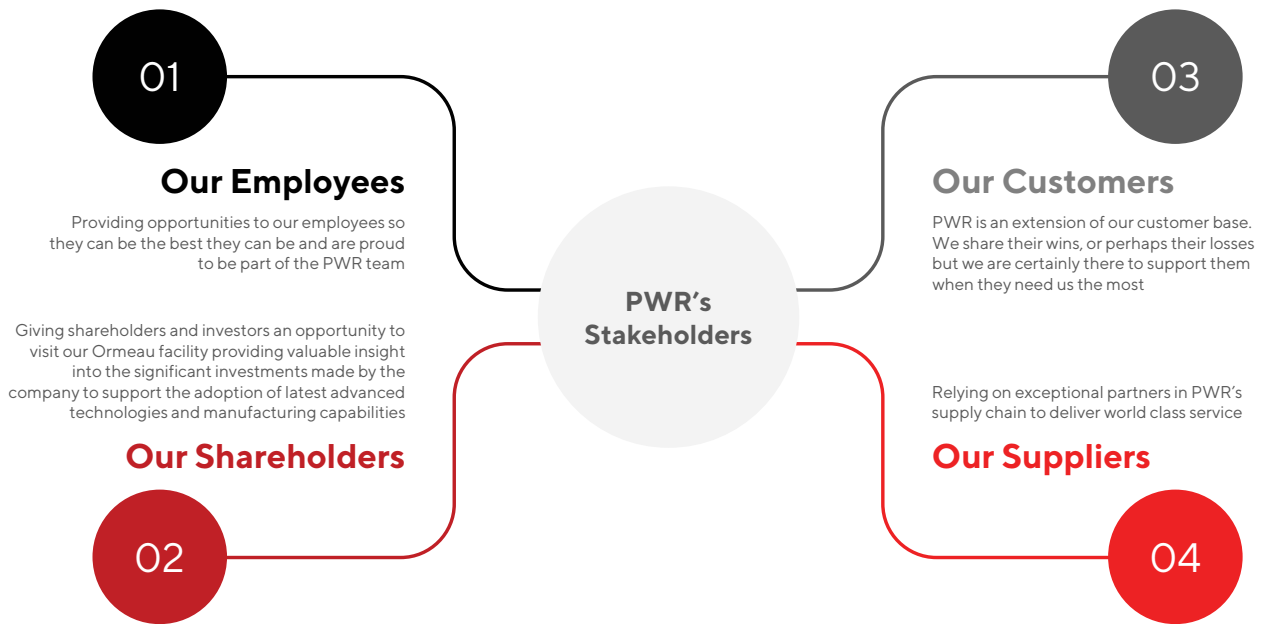
- Enhanced our micro matrix and cold plate technology product offerings;
- Increased supplies into new industries including aerospace and defence; and
- Increased employee headcount to expand capacity to deliver on new and potential contracts.

## 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.

# Customer and Stakeholder Relationships

We create value through focusing on what matters most to the many stakeholders of our business. The quality of the relationships we develop with our many stakeholders directly impacts the success of PWR.



## Building Trust and Respect

Genuine relationships built on trust and respect underpins the successful achievements of PWR, while providing the foundation for successful growth in the future. At the forefront our success in delivering value is:

- Customer Service
- Responsiveness
- Product Range
- Quality
- Knowledge
- Capability

## Our staff are Passionate

PWR's engagement between customer and staff is unrivalled with a can-do attitude and an approach to take on tasks and challenges like they were our own, to provide innovative solutions and solve complex challenges to serve the best interests of our customers. PWR's true value is provided through industry leading products and services with highly differentiated features and benefits compared to any potential competitor offer. Our willingness to engage in new developments and push boundaries of current capability is without peer, and one of the defining characteristics of a relationship with PWR.

## We Provide our Customers with Around-the-Clock Service

A global presence through Australia, Europe and North America, with highly dedicated staff provides our customer base with around the clock service, and our project engagement is one of true partnership with a shared goal to succeed in producing the best final product or solution. Our feedback from our key customer base is consistently that of partnership, where PWR is recognised and acknowledged as an integral part of our customer's own team in the way that we work.

## 01 Employee Engagement

### Bringing Our Employees and Customers Together

PWR is fortunate to be able to call some of the world's leading companies and race teams our customers, and this provides our staff a tremendous source of pride in the work they do, and for the applications that their work serves. PWR is extremely proud of its company uniform, but it has long been a tradition that PWR staff are encouraged on a Friday to wear shirts that represent our customer base. Fridays will see staff wearing motorsport team shirts from Formula 1, Moto GP, NASCAR, WRC and Supercars to name just a few, as well as representation of other prestige marques from the automotive industry.



This tradition serves as a constant reminder of the importance in the role PWR plays in supporting this customer's base, and that our staff are an extension of our customer's own teams with each playing a critical role in the success of delivering a high quality and high performing end product or solution.

Our customers are appreciative of this demonstration of our partnership and are supportive with initiatives, supplying discounts and access to their branded merchandise to PWR staff, because all parties benefit from the increased engagement this delivers.

### Employee Opportunities

It is also a tradition within PWR that each year the company takes a select group of high performing staff from the prior year to Albert Park in Melbourne for the Formula One Grand Prix where they have the opportunity to see some of the results of their hard work in the products PWR supplies to Formula 1. It's a great team building experience and a further point of connection to the dedicated work completed to have access to see and appreciate the importance of the products and services they are responsible for delivering. This is also an opportunity to hear firsthand from the teams the positive influence PWR makes to a reliable and efficient race car. PWR was very pleased to be able to return to the Melbourne Grand Prix in 2022 and share this experience with deserving staff.



## Delivering Value

# Customer and Stakeholder Relationships

continued



Myles Jackman



## 02 Shareholder Engagement

### **PWR is always keen to show our shareholders what we do**

Our 2021 AGM provided a great opportunity for PWR to invite shareholders to our Ormeau facility and to be able to share examples of our latest product developments, as well as tour the factory providing valuable insight into the significant investments made by the company to support the adoption of latest advanced technologies and manufacturing capabilities.

Events such as these are highly successful, with very positive feedback received by all in attendance and attendees impressed by the scale and presentation of the facility. This platform provides an ideal opportunity for effective communication to our shareholders engaging with PWR tour hosts and staff to better understand PWR's business, products and services that support the opportunities ahead.

Overwhelming feedback was received from our AGM regarding our staff's knowledge and passion for PWR, our products and our customers. The open forum created by hosting events such as this delivers positive results for shareholders and staff alike with the ability for all to engage in discussion around common points of interest behind PWR. This is certainly a platform that PWR plans to retain and grow in the future.

## 03 Customer Engagement

PWR is an extension of our customer base when it comes to collaborating with them to design and manufacture the very best thermal solution for their application, however the extent of our commitment does not end there.



## + CASE STUDY: Going Above and Beyond

We share our customer's wins, or perhaps their losses but we are certainly there to support them when they need us the most if they strike trouble with unforeseen circumstances and assistance is needed.

Such a situation arose earlier this year, where one of our customer teams had a systems issue and needed to quickly move to new heat exchangers to solve the problem. This required a very quick PWR reaction to design, manufacture and deliver new cooling system components in a matter of weeks. This requires commitment across the entire team at PWR, through all the critical departmental steps delivering high quality output at a rate that most companies would believe unachievable but is the fundamental ingredient in delivering success in Formula 1.

When needed, our commitment does not end at our dispatch dock, and as we did earlier this year we had one of PWR's Engineers from our Specialty Build department fly to Saudi Arabia with critically important assemblies to have available for race day. This is a level of commitment and customer service that is not only appreciated by our customer but provides yet another opportunity for engagement of PWR staff with our customers and allows trusted relationships to be formed when we are always working to a common goal together. This provides our customers what they need with a high level of service while providing our staff with opportunities and experiences that can't be replicated anywhere else. We are grateful to the Haas F1 Team for hosting our Engineer, Blake Evans over the Saudi Arabian Grand Prix weekend as a thank you for his personal effort to get their parts to them in the shortest time possible.



## 04 Supplier Engagement

PWR is proudly a highly vertically integrated business taking control of most processes to deliver our products and services. However we still have a very important supply chain with integral partners we forge long lasting relationships with to deliver to the high quality and service expectations of PWR and our customers. Just as PWR is considered a critical link in our customer's supply chain, PWR relies on exceptional partners in our own supply chain to deliver world class service.

## + CASE STUDY: Thermasys Tubing

A demonstration of our supplier partnerships is our relationship with Thermasys Tubing in Germany, whom we needed to call on to support production of a very short lead time tubing request to meet customer demand. Our request required not only prioritized scheduling of production within Thermasys but required external negotiation with the supporting aluminum strip supplier.

With the dedication and commitment of key suppliers such as Thermasys, we were able to reduce a 12 week production lead time to 4 weeks to deliver against PWR's project timeline and against our customer objective. These actions to explore all opportunity to deliver against customer expectations is what is required in a high performance supply chain, and the value this brings to PWR is well recognized. PWR took action to acknowledge the extraordinary efforts of the staff at Thermasys Tubing and arranged some PWR gift bags to be delivered and shared amongst Thermasys staff as appreciation for their support and a demonstration of PWR's valued partnership with them as a supplier.



# People, Culture and Safety

## 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.

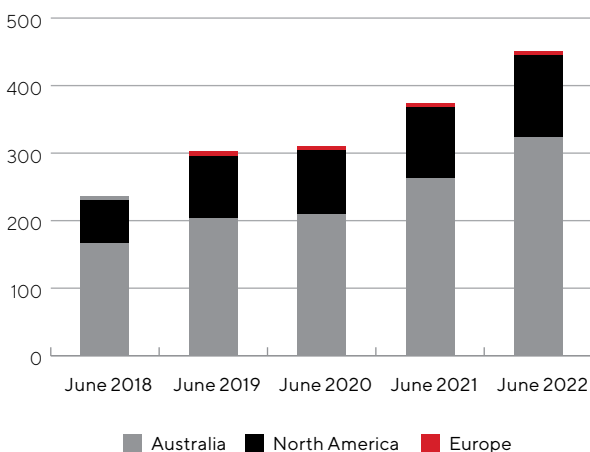
We encourage a workplace that is diverse, empowered and demonstrates good decision making and one which fosters innovation and high productivity.

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.

## Growth in a challenging employment market

The market presented challenges over the year globally, with low candidate availability and high recruitment demand. The unemployment rate remained low in Australia, USA and UK, falling in mid 2022 to the lowest level since August 1974 for both Australia and the UK and staying at a comparatively low rate in the USA. Ongoing labour shortages were exacerbated by reduced hours worked as staff were forced to take leave due to illness, potentially attributed to higher rates of flu and COVID-19. Despite these challenges, globally, PWR grew employee numbers by 24% over the year, continuing our progressive growth over the last 5 years.

## Employee Numbers



88

Expanded our team to employ an additional 88 people globally

## We support Schools and Apprentices with Development Opportunities

Our Apprenticeship and School Work Experience Programs are very important components in our strategy of building future talent for PWR. During the year we had 17 work experience students spend time on a placement at PWR, where they were exposed to a number of our production areas in a structured and supervised program. We signed up 21 new apprentices during the year, resulting in a total of 42 apprenticeships running by the end of June 2022 and during the year we were pleased to see 3 apprentices complete their training and transition to fully qualified tradespeople.



Gareth Edwards and Jake Nicholson



## + CASE STUDY: Demi Cross

Demi joined PWR in February 2021, having done various roles in retail and warehousing since leaving school in 2017. She was keen to start a career and having an interest in 4WD off roading and working on her Toyota Hilux, PWR was a great fit for her. In early 2022 Demi secured a place as a PWR Apprentice Welder in our Fabrication area and since then has gone from strength to strength.



Demi Cross

*"When I came to PWR I wasn't sure what I wanted to do, then I saw Kaz (a female who was in fabrication) working and I knew I wanted to learn welding, so I managed to get onto the Apprenticeship program. It is really fun, challenging sometimes but I really enjoy it. PWR is good if you're a girl; the guys here are great, it's a respectable workplace. The GM of Production said I was the fastest to complete the welding training which made me happy and proud, and it's good to beat the boys! As well as that what they teach you here is next level, so long term I want to continue my career on the welding training program with PWR."*

### Achievements

**21** New apprentices signed up

**3** Apprentices completed and transitioned to fully qualified tradespeople

**17** Work experience students spent time at PWR



### Investing in Leadership Development

This year saw the development of a PWR specific frontline leadership training program, aimed at further developing leadership skills. This includes the use of a DiSC profile to set the foundation by helping individuals to better understand themselves. (DiSC is an acronym that stands for the 4 main personality profiles described in the DiSC model: (D)ominance, (i)nnfluence, (S)teadiness and (C)onscientiousness). Individual feedback sessions have been conducted for those who completed the DiSC profile and over the coming year we are rolling out a series of supporting short, targeted sessions covering key topics, followed by a session on applying each of the learnings.

### Graduate Engineer Program

PWR's graduate engineering programme provides an opportunity for recent engineering graduates to expand on their university studies. Offered as a 2-year programme, they will benefit from the insight and support of experienced engineers and production team members who have worked on innovative and leading-edge product development in the motorsport, automotive, aerospace and defence industries. Their guidance will help the journey to transition from an engineering graduate into an experienced professional.

## People, Culture and Safety

continued

### + CASE STUDY: Chris Hopgood , Graduate Engineer Programme

Chris joined PWR in May 2021 as he was approaching the end of a dual Bachelor of Mechanical and Aerospace Engineering/ Bachelor of Science degree at the University of Queensland. He has a keen interest in aerospace engineering as well as a passion for automotive engineering, having worked on the 2 year restoration of a 1969 Ford Mustang Mach 1 with his father. PWR is the perfect place to develop his career with exposure to his engineering fields of interest. In January 2022 Chris took up a place on the PWR Graduate Engineer Program.



Chris Hopgood

*"The PWR Graduate Engineer Program gives me great exposure to a wide variety of manufacturing and technical developments. For example, the application of computational fluid dynamics studied at university has been great to see in action at PWR. This provided that essential link between theory and its practical counterpart.*

*This year I have been focussing on the practical side, including spending time in Micro Matrix developing Formula 1 components and in my second year I will get exposure to the Wind Tunnel, simulation, design and then aerospace. The program really gives me a bit of everything, helping me towards my goal of working in an aerospace design area, such as engine cooling."*

### International Secondments

During the year we developed an International Secondment Program to give a small, selected number of employees an opportunity to work at a PWR manufacturing site in another country for 1 to 2 years, with PWR supporting the visa application and contributing to relocation, accommodation and motor vehicle costs.

### + CASE STUDY: Blake Evans, International Secondment Programme

Blake joined PWR in November 2018 when he was in the third year of a Mechanical Engineering Degree at Griffith University. With a keen interest in and passion for motorsport, PWR was the ideal place for him to develop his career. He worked his way through our Specialty Build area, quickly establishing himself as a conscientious team member, producing high quality work. Blake graduated in 2020 and is now an Engineer in Specialty Build.



Blake Evans

*"The opportunity for a 2 year secondment to PWR North America is a unique and awesome chance to take what I have learnt here and apply it there. At the same time, I will be able to learn from our North America Team when I am there and bring back my learnings to PWR Australia.*

*With the USA having 3 Grand Prix next year, along with Canada and Mexico this is a great time to be going there. I am also keen to experience the USA culture and sport such as NFL, Hockey, Baseball and of course as much motorsport as I can get to see.*

*Overall, this will give me an extra perspective and help me work towards my goal of becoming a Formula 1 Project Engineer for PWR, a goal which was further cemented when I was selected to hand deliver PWR units to the Haas F1 team in Saudi Arabia earlier this year."*

## PWR DNA and Code of Conduct

The PWR DNA defines us and is a key consideration in all decisions we make and interactions we have with our people. It is embedded in our Employee Handbook, new employee Induction Program and employee reward and recognition programs. It is also at the core of our annual Performance and Development Review process.

|  |  |   |
|--|--|---|
|   |   |    |
| <b>RESPECT</b>   | <b>PASSION</b>   | <b>TEAMWORK</b>   |
| <hr/> We turn up to work on time <hr/> We are polite and courteous <hr/> We respect the PWR uniform and take pride in our personal appearance <hr/> We look out for our team-mates | <hr/> We are solutions focused – we take customers problems and make them our own <hr/> We have a positive ‘can do’ attitude <hr/> We take pride in what we do | <hr/> We work together <hr/> We talk to each other <hr/> We chip in when one of the team is under pressure <hr/> We solve problems together |

Our Code of Conduct ensures that PWR consistently achieves the highest standards of business conduct possible, including but not limited to:

- the creation of sustainable value for shareholders and other stakeholders;
- compliance with the law;
- respect for local cultures;
- a healthy and safe workplace;
- responsible environmental management; and
- integrity, fairness and respect in its interaction with others.

### Employee Health, Safety and Wellbeing COVID-19

The COVID-19 pandemic remained with us throughout the year and we continued our COVID safe practices. We ran a campaign during the year to facilitate employee’s understanding of ways to minimise the risk of getting COVID through information sessions run by a specialist medical professional and offering COVID vaccinations on site. We continue to maintain strong personal hygiene and social distancing measures at all sites and all staff have access to free COVID testing.

### Safety

**We realised a reduction in our Lost Time Injury Frequency Rate for FY2022 to 1.2 (FY2021: 5.9)**

We saw a decrease in our Lost Time Injury Frequency Rate, (LTIFR) down to 1.2 by the end of the year. However, the focus remains on ensuring a safe workplace for all staff. We have undertaken work to clearly identify and understand our Critical Safety Risks and define what constitutes a High Potential Incident to continue our journey in ensuring the safety of all people whenever they are at work, further supported by the recent appointment of a HSEQ Manager. There have been no fatalities, fines or prosecutions arising from safety related breaches across the group.

### Wellbeing

Weely’s Diner at PWR Ormeau continues to be a real point of difference, providing breakfast, morning tea and a cooked lunch for every employee, every day, free of charge. A well fed and hydrated workforce is happier and more productive. Furthermore, taking a planned and proper break from the work area helps our staff to refresh and interact with others – especially those from other teams or departments, where they exchange ideas and return to work rejuvenated.

## Delivering Value

# People, Culture and Safety

continued

### Achievements

Offered COVID vaccination and booster vaccination appointments on site

Reduced the Group's **LTIFR to 1.2** (FY21: 5.9)

Critical Safety Risks identified

Work Health and Safety Committee met on a regular basis

Served over **220,000 free meals** to our **320 employees** at our Ormeau manufacturing site in Queensland



### Weely's Diner

This year we welcomed a new Head Chef to Weely's Diner – Ben Zeme as well as a new Chef – Karl Begon. Both are experienced and qualified in their field; Ben came to us with 30 years' experience and Karl has 26 years' experience in a variety of hotels and restaurants. Together with their Kitchen Hand they have continued to impress the PWR staff at Ormeau with freshly prepared morning tea and cooked lunches every day, including favourites such as chocolate brownies, barbecued ribs, homemade pies along with salad options and fresh fruit for those wishing to take a lighter option.



Karl Begon and Ben Zeme



## Diversity and Inclusion

The Groups objectives for diversity and how we performed in FY 2022 are set out below:

|   | <b>FY2022<br/>Actual</b> | <b>FY2023</b> | <b>FY2024</b> | <b>FY2025</b> |
|---|--------------------------|---------------|---------------|---------------|
| <b>Number of women on Board of Directors</b>                  | <b>1</b>                 | 1             | 2             | 2             |
| Number of women in Executive Management over the next 3 years | <b>1</b>                 | 2             | 2             | 3             |
| 3 year targets to increase female representation:             |                          |               |               |               |
| PWR Australia   | <b>16%</b>               | 19%           | 22%           | 23%           |
| PWR North America   | <b>17%</b>               | 19%           | 22%           | 23%           |
| PWR Europe  | <b>17%</b>               | 10%           | 12%           | 15%           |

Work has already commenced in Australia on the development of links with Griffith University (Gold Coast and Brisbane) and Trinity College Beenleigh to establish Women in Engineering Programs and Trade based work experience programs for females. Similar initiatives will be encouraged in North America and Europe.

### + CASE STUDY: Anastasia Tsompanellis, Production Supervisor

Anastasia joined PWR in November 2021 after 11 successful years' in Retail Management. She commenced as a Manufacturing Production Assistant and quickly showed how her previous experience could be valuable for PWR. In February 2022 she was appointed as PWR's first female Production Supervisor, running the Auxiliary Trans Coolers section.

*"I am loving it, loving every part of the role and learning more about PWR every day. I am proud to work for a market leader and it is really nice to be part of a company that is so respected in the industry. In the future I would like to take my career with PWR as far as I possibly can, ideally into Production Management."*

Anastasia Tsompanellis



# Investing in Emerging Technology and New Industries

At PWR, we provide leading edge cooling solutions to our customers in many industries and we leverage our knowledge, skills and capabilities to provide products to new industries for our cooling solutions, such as the aerospace and defence industry.

Our unique point of difference however is the way we stay ahead of the curve in the emerging technology space. Emerging technologies create real opportunity for PWR and its customers and are used by PWR and its customers to tackle climate change by working with customers to develop lower emission cooling solutions to stem additional damage to our planet.

Thermally efficient heat exchangers are a key driving force in many processes requiring a chemical reaction. The use case can be for carbon capture from the atmosphere, where CO<sub>2</sub> is entrapped within special coatings on a heat exchanger surface, where it is later stored underground or used for product use. Additional use cases require heat exchangers to be used in conjunction with a catalyst to aid in the production of green fuels, as an alternative to fossil fuels.

Other opportunities for PWR exist across the sustainable mobility platforms, with the race to electrified flight certification heating up. PWR technology transfers well to these platforms due to the requirements for highly efficient and light weight cooling systems, to offset the additional mass of the battery systems required.

## + CASE STUDY: Emerging Technology

### Customer - Electroflight - World's Fastest All-Electric Aircraft

<https://www.electro-flight.com/news/partnering-with-rolls-royce-and-electroflight-to-create-the-battery-for-worlds-fastest-all-electric-aircraft>



Recently PWR worked with UK based company, Electroflight, to assist in managing the thermal requirements of their all-electric aircraft. The objective of the joint venture between Electroflight and Rolls Royce aimed to create the world's fastest all-electric aircraft, as a demonstration of battery and drivetrain technology for sustainable flight.

Early in 2022 the 'Spirit of Innovation' aircraft achieved separate record speeds, with the final record set at 387.4 mph (623kph) crediting the platform as the world's fastest all-electric vehicle.

PWR provided battery cooling and drivetrain cooling solutions for this one-of-a-kind aircraft and we are proud to be part of a world record flight. In addition to the speed record, the Electroflight team subjected the battery system, including PWR parts, to the rigorous DO-160G shock and vibration testing, allowing another benchmark, as the first aerospace battery propulsion system to successfully complete the DO-160G testing in the UK.

The image above shows the aircraft in pre-flight condition being prepared by the electrification engineers, with cowlings removed, and a clear image of some of the PWR componentry attached to the air intake ducting.



PERFORMANCE  
SNAPSHOT

HOW WE CREATE  
SUSTAINABLE VALUE

**DELIVERING  
VALUE**

LEADERSHIP AND  
GOVERNANCE

DIRECTORS'  
REPORT

FINANCIAL  
STATEMENTS

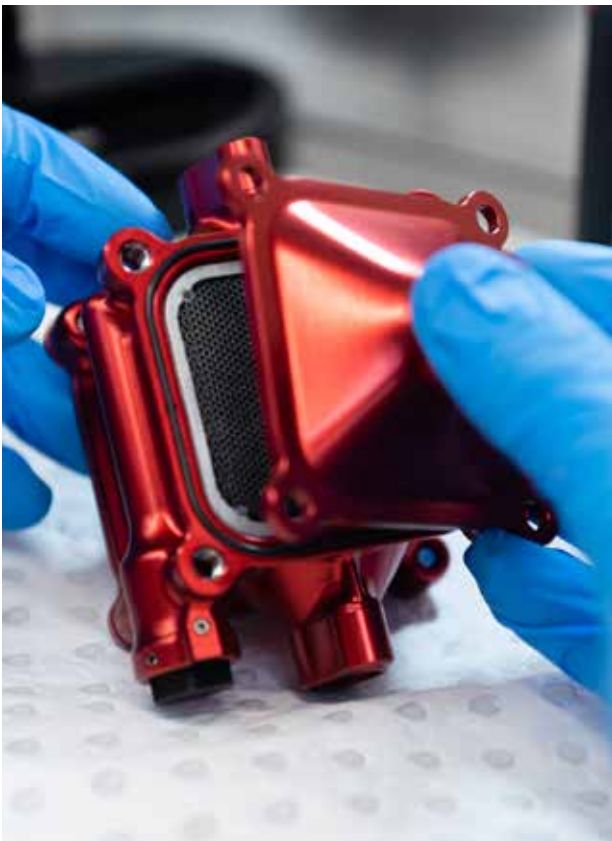
ADDITIONAL  
INFORMATION

# Intellectual Capital

To be an industry leader in the field of Thermal Management systems across multiple high value market sectors requires substantial investment in people, advanced manufacturing technology, capability, quality control and testing systems to deliver customised solutions to exacting standards.

To stay ahead we must always innovate and never be satisfied to be standing still even when business is strong. Our operational management aims to attract and retain talented staff, minimise waste and improve efficiencies, while our strategic management anticipates customer needs and industry trends to ensure PWR is well positioned to deliver on customer expectations and market opportunities in advance of their materialisation.

PWR is committed to investing in its own success to build capability and capacity to support all of our market sectors to deliver solutions exceeding our customers' expectations.



## + CASE STUDY 1: Systems and Accreditations



PWR has recently been successful in achieving accreditation to the National Aerospace and Defence Contractors Accreditation Program. With the introduction of NADCAP and the further improvements made to our Quality Management System (QMS), this is driving a more system centric approach to internal business processes within PWR. Both AS9100D and NADCAP require internal processes to be robust, effective, and aligned to how the business performs internal processes and the effectiveness of the controls put in place. A quality system needs to work for the business and help drive the right culture expected in the demanding global industry sectors PWR chooses to do business.

The introduction of NADCAP only raises this expectation further. Being a NADCAP-recognised supplier means our customers can reduce or replace costly individual audits that would otherwise be required by their own Quality Departments.

Large aerospace and defence contractors historically would have sent individual personnel out to audit suppliers, but NADCAP certification is a high-level third-party accreditation program to validate those successful in achieving endorsement as a trusted company to the primes of the Aerospace and Defence market sectors. PWR have taken this challenge head on, expanding the Management team and internal structure through the introduction of the Operational Excellence department ensuring governance of structures, systems and processes that underpin PWR's product development and ensuring that there are robust and well communicated end to end processes that result in PWR providing quality results to customers.



## + CASE STUDY 2: PWR Technology and depth of capability



**Custom Heat Exchangers** - In parallel with more generic rectangular shapes, PWR specialises in custom geometry air to liquid cooling assemblies. These radiators, oil coolers, intercoolers and battery coolers

can be fully profiled geometries to fit difficult duct geometry and can also have non-planar surfaces, to allow larger surface areas in confined spaces. Constructions can be tube and fin or bar and plate (B&P).

**Bar and Plate Assemblies** - PWR produce durable B&P assemblies and cooling packs for land, air and sea applications. B&P assemblies are the industry standard for applications in Aerospace and Defence, due to their robustness in harsh environments involving vibration, shock and extended thermal cycle.



**Micro Matrix Heat Exchangers** - MMX heat exchangers are extremely efficient, compact and light weight solutions, constructed from an array of hollow micro tubes, similar to hypodermic needles and ranging in sizes

from 0.3mm diameter to 1mm diameter. These thin wall tubes provide exceptional surface area in a compact package to maximize heat transfer in liquid/liquid, liquid/air or liquid/phase change material applications.

**Ruggedized Liquid Cold Plates and Bipolar HFC Plates** - PWR have a state-of-the-art vacuum brazing furnace rated to 1,300°C and suitable for aluminium brazing at class 1, together with higher melting point superalloys rated at class 2. PWR manufacture ruggedized liquid cooling plates and brazed chassis for Aerospace, Defence, Electrification, Hydrogen and Motorsport markets. These components are used in a variety of end applications such as radar systems, autonomous vehicles, energy storage systems and power electronics cooling applications.



**Complete Cooling Modules** - PWR have the capability to partner with our customers early in the project to design, simulate, develop and manufacture complete sub module cooling systems including heat exchangers, composite mount systems, fluid transfer, fans and pressure and thermostatic valves. On completion of cooler assemblies and modules, PWR can also work with our customers to conduct certification testing of bespoke assemblies to meet requirements.



## Delivering Value

# Intellectual Capital

continued

### + CASE STUDY 2: PWR Technology and depth of capability continued

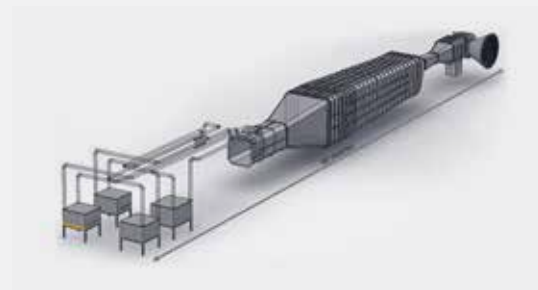
**Additive Manufacturing** – PWR have high temperature SLA and aluminium powder DMLS additive manufacturing machines in house, together with specific technical agreements to produce world leading aluminium heat exchangers using disruptive additive methods. PWR is investing in skilled staff and equipment to ensure we are on the cutting edge of this technology as we find opportunities to exploit the manufacturing advantages where appropriate to use additive technology, or merge its application with other technologies to provide the very best total solution.



**CT Scanning** – PWR have a large-scale industrial CT scanner at our Australian facility with a working envelope that can accept a part height of 2.2m and a measurement/scanning envelope of 1.2m high x 0.8m diameter. This Xylon machine is capable of both X-Ray and CT generated 3D models and is used for process development, product verification and 3rd party use generating unrivalled visual and dimensional inspection tools.



**Thermal Testing** – PWR have an in-house wind tunnel thermal calorimeter and cold plate test rig. These are used to test prototype and production intent heat exchangers and cold plates to help create thermal matrix information used for verification processes, creation of CFD information and use in PWR transient simulation models to develop optimum solutions.



# Developing a Sustainability Framework

Sustainability for our shareholders, our employees and our customers is at the heart of PWR's business strategy.

We are committed to creating long term value for all of our stakeholders through our 3 strategic objectives of Growth, Profitability and Excellence. To better articulate our approach to sustainability, we will focus on developing a Sustainability Framework to ensure:

- Our approach to sustainability is embedded into our strategy
- We have a governance framework to monitor our performance
- Our risk management approach involves scenario planning, stress testing and stakeholder feedback within the context of our risk appetite
- We set realistic and measurable targets to track our performance and progress

While we have focused on various aspects of sustainability at PWR, we realise that our work would benefit from a properly articulated sustainability framework that caters for all corners of our business. Our work to date includes:

- Developing sustainable and capable people by investing in them to build a safe workforce that is engaged, high performing and proud to be part of PWR – see page 14 for how we create value through our focus on people, culture and safety
- Working every day to strengthen our corporate governance and responsible business culture supported by our Code of Conduct and Ethical Conduct Policy. This year we have updated the Charter for our Audit and Risk Committee and tasked it with oversight of the development and implementation of our sustainability framework. Our updated charter for our Audit, Risk and Sustainability Committee can be found on our website.
- Listening and talking to our stakeholders about their expectations and what we are doing to both identify and mitigate long term sustainability risks. See page 12 for how we deliver value through customer and stakeholder relationships
- Working with our customer base to manufacture efficient and less carbon intense thermal cooling solutions and leveraging emerging technologies and investing in research and development to enhance our performance and stay at the forefront of our customer expectations. See pages 20 to 24 for our we create value by working with our customers on less carbon intense cooling solutions and investing in research and development

- Integrating and advocating good sustainability practices in PWR's global operations. We take every opportunity we can to recycle from our raw material to our coffee cups!
- Driving value through sustainable value chain management practices. This year we undertook comprehensive risk assessments on our supply chain and developed and implemented our Ethical Sourcing and Modern Slavery Policy

## Climate Change Risk

**PWR is committed to playing its part in developing low emissions technology to support our customers and help to build a sustainable world for the next generation**

Against the backdrop of a rapidly changing and challenging landscape both generally and in manufacturing, PWR is already leveraging opportunities in our value chain to address climate change risks but we have some way to go in understanding our current footprint and our focus in FY2023 is to do just that.

PWR is committed to reducing its carbon emissions. We are conscious of the threat of climate change to our stakeholders and our business. During FY2023 we will assess materiality and also look at financial impact aligned with the recommendations from the Task Force on Climate Related Financial Disclosures with the overarching objective of understanding our baseline so we have a foundation on which to build realistic targets.

We are committed to both articulating our sustainability strategy further but also understanding our baseline and setting realistic and measurable targets to meet and report against. We know that this is a rapidly changing topic and each year we will review and revise our approach to sustainability and climate change to ensure it keeps pace with the expectations of our stakeholders. We need to ensure we get our data right for our current emissions and will need to invest in information systems to track our emissions and targets.

## Delivering Value

# Developing a Sustainability Framework

continued

PWR has turned its mind this year to its supply chain and the broad categories that we will need to assess for sustainability commencing in FY23 are summarised below:

| Raw Material Inputs   | Manufacturing & Operations   | Customer Products  |
|---|--|--|
| <p>Raw materials used to manufacture our cooling solutions</p> <ul style="list-style-type: none"> <li>- How are raw materials transported to our manufacturing facilities?</li> <li>- What is the amount of non-renewable materials that are used in manufacturing our products?</li> <li>- What chemicals are used?</li> <li>- What amount of raw materials are recycled or recyclable?</li> </ul> | <p>The manufacturing process that turns raw material into our cooling solutions and the activities that support product development including:</p> <ul style="list-style-type: none"> <li>- Operation of our manufacturing facilities</li> <li>- Transport of products to our customers</li> <li>- Business travel</li> <li>- Management of waste from our manufacturing facilities</li> <li>- The water we use</li> <li>- The energy we use</li> <li>- Our greenhouse gas intensity</li> <li>- Our impact on air quality</li> <li>- Waste water and what we do with it</li> <li>- Our use of 'green-rated' investments</li> </ul> | <p>The products we manufacture, how they are used and what happens to them at the end of their lifecycle:</p> <ul style="list-style-type: none"> <li>- Greenhouse gas emission intensity of our products</li> <li>- The recyclable content of our products</li> <li>- The amount of renewable materials used in our products</li> <li>- The amount of restricted substance content in our products</li> <li>- Our energy consumption</li> <li>- Our contribution to the sustainability targets adopted by our customers</li> </ul> |

## + CASE STUDY: Supporting Formula 1's Sustainability Strategy

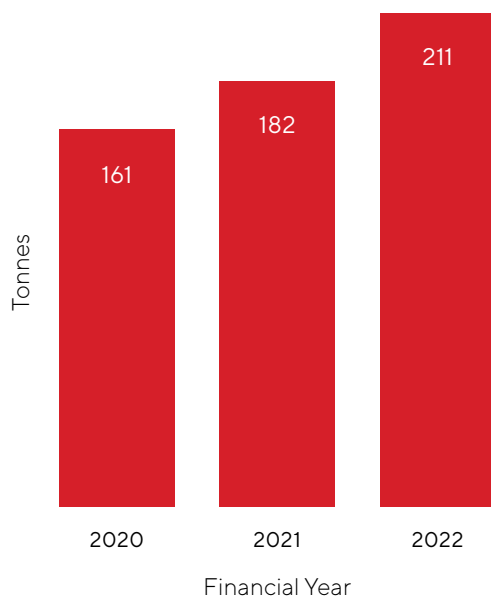
PWR has for a very long time been extremely proud of its involvement in supplying the worlds best heat exchangers to Formula 1 as the pinnacle of Motorsport and technological innovation in automotive applications. We are now very proud to be supporting Formula 1 and the FIA in their Sustainability Strategy with a target to be a net zero carbon sport by 2030. PWR is working with all teams and power unit manufacturers, providing recyclable primary heat exchangers and supporting thermal management systems for the current hybrid power units which are widely recognised as the most efficient in the world, and our work will intensify through next generation power unit developments making further improvements in efficiency through to 2030 and beyond.



As stated by Chase Carey, CEO of Formula 1 "Leveraging the immense talent, passion and drive for innovation held by all members of the F1 community, we hope to make significant positive impact on the environment and communities in which we operate". PWR is supporting Formula 1 in pioneering for the automotive industry to deliver the world's first net-zero carbon hybrid power unit, with a vision to drive down carbon emissions across the globe from the flow down effects of this technology into the automotive sector.



### Aluminium Recycled (Tonnes)



### Environmental 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.

### Aluminium 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 2021-2022 financial year we recycled 211 tonnes of aluminium.

### Sustainable Investing

PWR has invested \$5.0m in an Environmental, Social and Governance Term Deposit and will continue to assess sustainable investment opportunities.





## Leadership and Governance

# Directors



**Teresa Handicott** A N  
Independent Chairman,  
Non-Executive Director



**Kees Weel**  
Managing Director and  
Chief Executive Officer



**Jeffrey Forbes** A N  
Independent,  
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 7 years including 4 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 State President of the Queensland Council 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 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?

Jeff has over 30 years' experience in senior finance and management roles with extensive mergers and acquisitions, equity and capital markets and project development experience.

As an executive Jeff worked at Cardno Limited, an engineering and environment consultancy company as CFO, Executive Director and Company Secretary before leaving in 2013 to commence Non-Executive Director roles. Prior to joining Cardno, Jeff was Chief Financial Officer and Executive Director at Highlands Pacific Limited, a PNG-based mining and exploration company. He has significant experience in capital raisings and debt financing. During his career, Jeff has worked for numerous major companies including Rio Tinto, BHP and CSR and has previously held senior finance roles in the resources sector.

Jeff is a Non-Executive Director of Cardno Limited and Ventia Services Group Limited. Jeff is also Chairman of Herron Todd White Australia and Herron Todd White Consolidated.

Jeff holds a Bachelor of commerce from the University of Newcastle and is a Graduate of the Australian Institute of Company Directors.

**Key** A Audit and Risk Committee (Audit, Risk and Sustainability Committee from 1 July 2022) N Nomination and Remuneration Committee  
● Committee Chair

# Executives



**Roland Dane** A N  
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, Park Lane (UK) a vehicle acquisition business in the UK founded some 35 years ago. He is the former Managing Director of the successful Triple Eight Race Engineering team, winning 9 out of the last 15 V8 Supercar championships.

Roland is a director of Racing Together Limited, a charitable organisation promoting opportunities in motor sports for young indigenous Australians. He is a member of the FIA Touring Car Commission and a member of the Safety and Risk Committee of Motorsports Australia.



**Matthew Bryson**  
Chief Operating Officer (COO) from July 2020, Chief Technical and Commercial Officer (CTCO) from July 2021

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 held the position of COO from July 2020 before commencing his current position of Chief Technical and Commercial Officer at PWR from July 2021.



**Martin McIver**  
Chief Financial Officer (CFO)

Martin McIver 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).

# Our Corporate Governance and Risk Management Practices

PWR's 2022 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 so that 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 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
- Weely's diner provides quality food, free of charge to our Australian employees for breakfast, morning tea, lunch and dinner with healthy selections available
- We have facilitated employees' knowledge of and access to COVID-19 information from qualified medical professionals and have provided access to onsite vaccination facilities
- For FY23, our Corporate Scorecard requires safety leadership and visibility as a key performance indicator to measure safety leadership activity in the business

### 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, wider-spread workforce, more workload, the need for more factory space, better and more streamlined systems and processes, more customers and new advances in technology, to name a few

- 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
- We have focused on developing high performing leaders, targeting managers and supervisors for our in-house front line leadership program where a self-assessment of one's own behavioural preferences is the first step in the journey
- Recruiting for growth has been a challenge during the reporting period with the availability of workers the lowest it has been in a long time
- Competition for workers has also increased significantly and retaining our workforce is a key focus
- 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 rolling out monthly team talks with consistent, transparent messages and giving employees an opportunity to ask questions
- 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 have made progress this year to extract value from our current Enterprise Resource Planning system and have commenced the search for a Human Resource Management System that will support the business for many years to come

## Protecting our intellectual property and managing cyber security risks

Second only to our people is PWR's intellectual property and that of our customers.

- We regularly undertake independent external reviews of our IT and potential cyber security exposures and have implemented all recommendations arising from these reviews
- We have strict confidentiality procedures in place when developing new technology and manufacturing processes
- We operate restricted areas within our manufacturing sites and do not permit phones or cameras 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 and have developed a tailored front line leadership program to develop our supervisors and managers and equip them with the skills to lead their teams effectively

## 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
- 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 have also received National Aerospace and Defense Contractors Accreditation Program (NADCAP) accreditation (thermal and chemical management).
- This year we will focus on securing accreditation for the Defence Industry Security Program

## 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. This year we invested \$9,777,059 on R&D activities
- We adopt quality control approaches in everything we do and use advanced technology to problem solve for our 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

## Sustainability Risk

PWR is committed to playing its part in building a more sustainable world for the future generations. How we go about this requires focus and investment and close contact with our many stakeholders. We believe that PWR can play its part in the transition towards a sustainable society through the use of emerging technology and innovative product development to support our customers' climate change targets

- We will spend FY23 understanding our baseline and developing our sustainability framework and incorporating the recommendations from the Task Force on Climate Related Financial Disclosures
- We will set realistic and measurable targets to meet and report against
- We will continuously review and revise our approach to sustainability and climate change to ensure it keeps pace with the expectations of our stakeholders
- We will put systems in place to ensure we get our data right for our current emissions and to track our emissions and future targets

# Financial Report FY22

For the year ended 30 June 2022





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## Directors' Report

# Directors' Report

For the year ended 30 June 2022

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 2022 ("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 pages 4 to 9 and pages 25 to 31
- Director biographical information on pages 28 to 29 and Company Secretary biographical information on page 34
- Auditors Independence Declaration on page 38
- Remuneration report on pages 39 to 58
- Note H1 Financial risk management objectives and policies on page 84
- Note I10 Share capital on page 93
- Note H3 Auditor's remuneration on page 89
- Note D3 Employee share based payments on page 75
- Directors' declaration on page 96
- Shareholder information on pages 101 to 102
- Corporate directory (inside back cover).

## 1. DIRECTORS

As 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 28 and 29.

## 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. Lisa is also the Deputy Chair of the Advisory Council of Marist College Ashgrove.

# Directors' Report

For the year ended 30 June 2022

## 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 Financial Officer report
- Production report
- Operational excellence 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 | 10             | 10   | 4                                 | 4    | 4  | 4    |
| Jeffrey Forbes   | 10             | 10   | 4                                 | 4    | 4  | 4    |
| Roland Dane      | 10             | 10   | 4                                 | 4    | 4  | 4    |
| Kees Weel        | 10             | 10   | -                                 | -    | -  | -    |

## 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"), aerospace and defence, and automotive aftermarket 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

# Directors' Report

For the year ended 30 June 2022

### 5. DIVIDENDS

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

| Declared and paid during the year | Cents per share | Total amount \$ | Date of payment   |
|-----------------------------------|-----------------|-----------------|-------------------|
| Final 2021 ordinary               | 6.00            | 6,010,786       | 24 September 2021 |
| Interim 2022 ordinary             | 3.50            | 3,510,367       | 25 March 2022     |
| Total amount                      |                 | 9,521,153       |                   |

#### 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 2022 ordinary dividend | 8.50            | 8,525,164       | 23 September 2022 |
| Total amount                 |                 | 8,525,164       |                   |

The financial effect of the dividends declared after the end of the year have not been brought to account in the consolidated financial statements for the year end 30 June 2022 and will be recognised in subsequent financial reports. There is no dividend re-investment plan in operation.

### 6. 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.

### 7. EVENTS SUBSEQUENT TO REPORTING DATE

The Board declared a fully franked final 2022 ordinary dividend of 8.50 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 2022.

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.

### 8. 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.

### 9. ENVIRONMENTAL REGULATIONS

The Group is not subject to any significant environmental regulations.

### 10. 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.

# Directors' Report

For the year ended 30 June 2022

## 11. 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.

## 12. NON-AUDIT SERVICES

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

## 13. LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 38 and forms part of the directors' report for the financial year ended 30 June 2022.

## 14. DIRECTORS' INTERESTS

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

This report is made with a resolution of the directors:



-----  
**Teresa Handicott**  
*Chairman*  
Brisbane  
18<sup>th</sup> August 2022



-----  
**Kees Weel**  
*Managing Director*  
Brisbane  
18<sup>th</sup> August 2022



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

for the year ending 30 June 2022



### 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 financial year ended 30 June 2022 there have been:

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

A handwritten signature of the KPMG representative, appearing as 'KPMG' in a cursive script.

KPMG

A handwritten signature of Tracey Barker, appearing as 'Tracey Barker' in a cursive script.

Tracey Barker  
Partner

Brisbane  
18 August 2022

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# Remuneration Report

For the year ended 30 June 2022

## 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 2022.

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

### Strong Results While Dealing with the Pandemic

At the end of FY2021 we were all optimistic that the worst of the pandemic was behind us. This wasn't to be the case and COVID-19 continued to impact our staff and our ability to travel and meet our customers face to face throughout FY2022. PWR Holdings Limited (the "Company") and its controlled entities (the "Group") acted decisively and after extensive facilitation and consultation with our staff introduced a requirement that staff and visitors be fully vaccinated to enter the Group's Ormeau site. This gave us confidence to continue with our growth trajectory and recommence visits to customers both domestically and internationally. We have been able to deliver a record profit of \$20.843m, and also managed to keep our staff safe and employed, a tremendous effort by each and every one of our employees who worked with us and supported the business in taking this step.

### Total Fixed Remuneration Outcomes – Moderate Outcomes Reflecting Strong Performance

As shareholders will know, the Group did not award any bonuses to the Managing Director (MD) or Executives in FY2021 and also did not award salary increases to those roles given the uncertainty relevant to the pandemic. With respect to the annual salary reviews conducted at the end of FY2022 for salaries moving into FY2023, the Board appointed an independent remuneration consultant to provide advice on remuneration benchmarking for the Executives. The outcome of that exercise is described on page 49, section 10.1.

### Short Term Incentive Program (STIP) Outcomes

The intent of the STIP is to focus our Executives on what they can influence in the performance year. For the STIP to be activated for Executives, they must meet a STIP Gate established by the Board. If the STIP Gate is met, this unlocks the STIP amount for Executives 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 STIP Gate is a financial measure linked to budgeted NPAT for the Group. Provided the STIP gate is met or exceeded, the Corporate Scorecard is assessed against new sector revenue growth, safety, staff retention and product quality. The more the STIP Gate is exceeded, the more of the Corporate Scorecard is unlocked. Executives's performance is also assessed against personal KPIs tailored to their role.

As outlined in more detail on page 46, the Company exceeded the gate for the STIP and accordingly Executives did earn cash bonuses for FY22 under the STIP. The quantum of their bonuses was based on assessment of the Corporate Scorecard as well as personal KPIs which are further explained on page 47. The Board believes this was appropriate 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 Program (LTIP) Outcomes

Performance of long-term incentive rights granted in the FY2019 year were assessed for the end of FY2021. Both the TSR and EPS performance hurdles for the 3 year performance period were exceeded, resulting in 100% vesting of long-term incentives in September 2021.

At the end of June 2021, following a 3 year performance period:

- the Company ranked at the 90th percentile for Total Shareholder Return (TSR) for the performance period for the FY2019 performance rights (1 July 2018 to 30 June 2021) when compared to the benchmark group of ASX 300, excluding the Energy sector (oil, gas and coal)
- the Group's EPS hurdle for the FY2019 performance rights was measured by the growth in EPS from FY2019 (base year) to the end of the third year of the Performance Period (FY2021). The EPS growth rate was 52.5%, a compound growth rate of 15.1% over that period

As a result, 100% of the FY2019 performance rights vested on 1 September 2021 and provided the Executives an equivalent number of the Company shares to the rights granted as remuneration.

## Directors' Report

# Remuneration Report

For the year ended 30 June 2022

### Changes to Directors' Fees from 1 July 2022

We also appointed an independent remuneration consultant to benchmark the fees for the Chairman and Non-Executive Directors, the first external review since listing in 2015. The review highlighted that that our directors' fees, in particular for our Chairman, have fallen below market peers. To ensure that the Group remains able to attract and retain directors of appropriate skill and experience, we resolved to make an increase of 12% in directors fees and a 14% increase in the Chairman's fees to bring them more into line with market. Further details can be found on page 53.

### 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 Executives for performance and recognising the interests of shareholders, however the Board has decided to appoint an independent Remuneration Consultant in FY2023 to assist with a review of our incentive plan structures to ensure we continue to appropriately incentivise Executives to deliver shareholder value.

Our Corporate Scorecard for FY2023 will continue to focus our Executives and people they lead on our business priorities including implementing controls to keep our people safe and well, growing our aerospace and defence business, maintaining exceptional product quality and improving productivity.

In what continues to be an extraordinary time, I wish to thank our shareholders for their continued support.

Sincerely,



---

**Teresa Handicott**  
Chairman, NRC

# Remuneration Report

For the year ended 30 June 2022

## 2. INTRODUCTION AND SCOPE OF REPORT

This report details the remuneration framework and outcomes for Key Management Personnel (KMP) of PWR Holdings Limited (the “Company”) and its controlled entities (the “Group”) for for the year ended 30 June 2022. This report forms part of the Directors’ Report for this period.

The information provided in the Remuneration Report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

The following personnel were classified as KMP during FY2022:

| Executives   |
|--|
| Kees Weel, Managing Director   |
| Matthew Bryson, Chief Operating Officer (from July 2020), Chief Technical and Commercial Officer (from July 2021)                                      |
| Martin Mclver, Chief Financial Officer   |
| Non-Executive Directors  |
| Teresa Handicott (Independent Chairman and Non-Executive Director), appointed Non-Executive Director on 1 October 2015 and Chairman on 19 October 2017 |
| Jeffrey Forbes (Independent, Non-Executive Director), appointed 7 August 2015  |
| Roland Dane (Independent, Non-Executive Director), appointed 1 March 2017  |

## 3. REMUNERATION GOVERNANCE

The Board is accountable for establishing the remuneration policies and framework for the Group and ensuring remuneration of the Managing Director and 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 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 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. The Board had regular contact with each of the Executives during the year.   |
| Nomination and Remuneration Committee (NRC)     | The NRC makes recommendations to the Board regarding all aspects of Executive remuneration. This includes making recommendations in relation to the targets to be included in the STIP (both the financial and other 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. Remuneration Consultants were appointed to provide advice on Non-Executive Director (NED) remuneration and remuneration for the Managing Director and Executives for FY2023. The NRC Charter sets out further information regarding the Committee’s objectives and role. |
| 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.  |
| Responsibility for determining NED remuneration | The Board is responsible for assessing Non-Executive Director fees, assisted by the NRC. Shareholders approve the total aggregate fee limit (AFL) for Non-Executive Director remuneration. The AFL approved by shareholders is currently \$750,000 per annum. Reviews of Non-Executive Director and Committee Member fees are carried out periodically with assistance of independent benchmarking reports and/or consultants.  |



## Remuneration Report

For the year ended 30 June 2022

### 3. REMUNERATION GOVERNANCE (continued)

| Remuneration Consultants  | <p>Godfrey Remuneration Group Pty Limited (GRG) provided advice during FY2022 on remuneration of Non-Executive Directors. Payments made to Godfreys for these services is set out below. Note this does not include remuneration benchmarking for Executives which was undertaken in July 2022 and relates to FY2023.</p> <p>The Nomination and Remuneration Committed, chaired by the Chairman of the Company, engaged GRG to undertake the Non-Executive Directors' remuneration review. The engagement was governed by a documented set of protocols to be followed by GRG, the Nomination and Remuneration Committee and the Board, including the process to be undertaken by GRG to develop and communicate the recommendations.</p> <p>These protocols were implemented to ensure that GRG would be able to prepare the recommendations free from undue influence by the Non-Executive Directors.</p> <p>The Board:</p> <ul style="list-style-type: none"> <li>- is satisfied that the remuneration recommendations were made by GRG free from undue influence by the Non-Executive Directors</li> <li>- undertook its own thorough inquiries and review of the processes and procedures followed by GRG during their engagement</li> <li>- is satisfied that the remuneration recommendations were made free from undue influence.</li> </ul> |                         |                      |   |          |
|---|--|-------------------------|----------------------|---|----------|
|   | <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Description of Services</th> <th style="text-align: right;">Fees (excluding GST)</th> </tr> </thead> <tbody> <tr> <td style="vertical-align: top;">Fees for work undertaken in relation to providing benchmarking and recommendations regarding Non-Executive Director remuneration.</td> <td style="text-align: right; vertical-align: top;">\$13,000</td> </tr> </tbody> </table>  | Description of Services | Fees (excluding GST) | Fees for work undertaken in relation to providing benchmarking and recommendations regarding Non-Executive Director remuneration. | \$13,000 |
| Description of Services   | Fees (excluding GST)   |                         |                      |   |          |
| Fees for work undertaken in relation to providing benchmarking and recommendations regarding Non-Executive Director remuneration. | \$13,000   |                         |                      |   |          |

### 4. REMUNERATION PRINCIPLES

The guiding principles governing the Group'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 the Group 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 a stretch target component, 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's "at risk" remuneration on 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 the Group 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> |

# Remuneration Report

For the year ended 30 June 2022

## 4. REMUNERATION PRINCIPLES (continued)

| Guiding Principles                          |  | How we meet these principles   |
|---|--|--|
| Promote Internal Fairness and Equity        | Provide fair, consistent, and internally equitable reward to appropriately compensate employees for their contributions and performance outcomes | The Group's DNA is at the centre of how we work together to deliver on our goals.<br><br>Internal equity is achieved partly through external benchmarking and internally moderating performance assessments across the business. |
| Always Consider the Group's Capacity to Pay | Manage the balance between reward funding and Company performance / financial outcomes   | The Board maintains ultimate discretion under the Group'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.                                   |

## 5. REMUNERATION STRUCTURE

The Executives Total Remuneration is made up of the following 3 components:

| Component                      | What it is   | How does it link to strategy and performance?   |
|--------------------------------|--|---|
| Total Fixed Remuneration (TFR) | TFR consists of base salary and statutory superannuation contributions.  | Provides competitive ongoing remuneration in recognition of accountabilities for their role.  |
| Short Term Incentive (STI)     | The STI Plan (STIP) is an annual cash bonus that involves linking specific financial and non-financial targets with the opportunity to earn incentives based on a percentage of TFR.   | Ensures total remuneration is competitive.<br><br>Rewards delivery of strategic KPIs through the Corporate Scorecard.<br><br>Enables individual performance to be rewarded based on personal KPIs specific to the role. |
| Long Term Incentive (LTI)      | The LTI Plan (LTIP) is designed to link long-term executive performance with ongoing creation of shareholder value, through performance rights which convert to shares, subject to the satisfaction of long term performance conditions. | Rewards delivery of strategic objectives and longer term growth and sustained shareholder value.<br><br>Provides greater alignment between shareholder and participant outcomes.  |

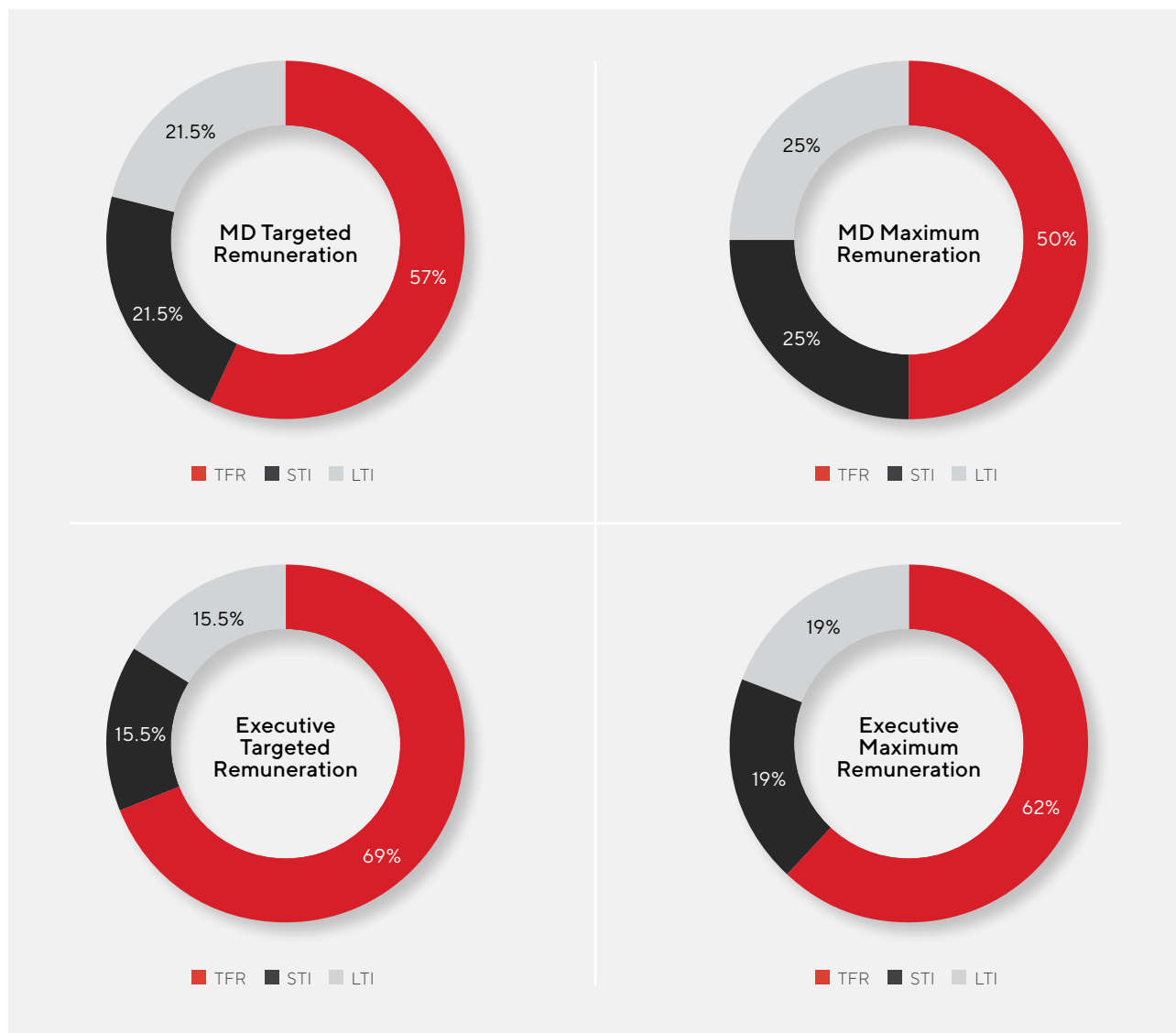
## Remuneration Report

For the year ended 30 June 2022

### 6. REMUNERATION MIX

Remuneration mix for the Executives refers to the proportion of Total Remuneration that is made up of each component of remuneration as outlined in contracts of employment and not actual remuneration received during the year.

Figure 1 Targeted and Maximum Remuneration Mix



# Remuneration Report

For the year ended 30 June 2022

## 7. LINK BETWEEN THE GROUP PERFORMANCE, REMUNERATION OUTCOMES AND SHAREHOLDER VALUE

The Board's objective when determining remuneration for the Executives is that remuneration outcomes should be linked to the performance of the Group. Given the longer term component of remuneration, reporting on performance for FY2022 together with performance over prior years provides shareholders with important context.

Table 1 The Group's Historical Performance below summarises and compares the Group's performance in recent financial years.

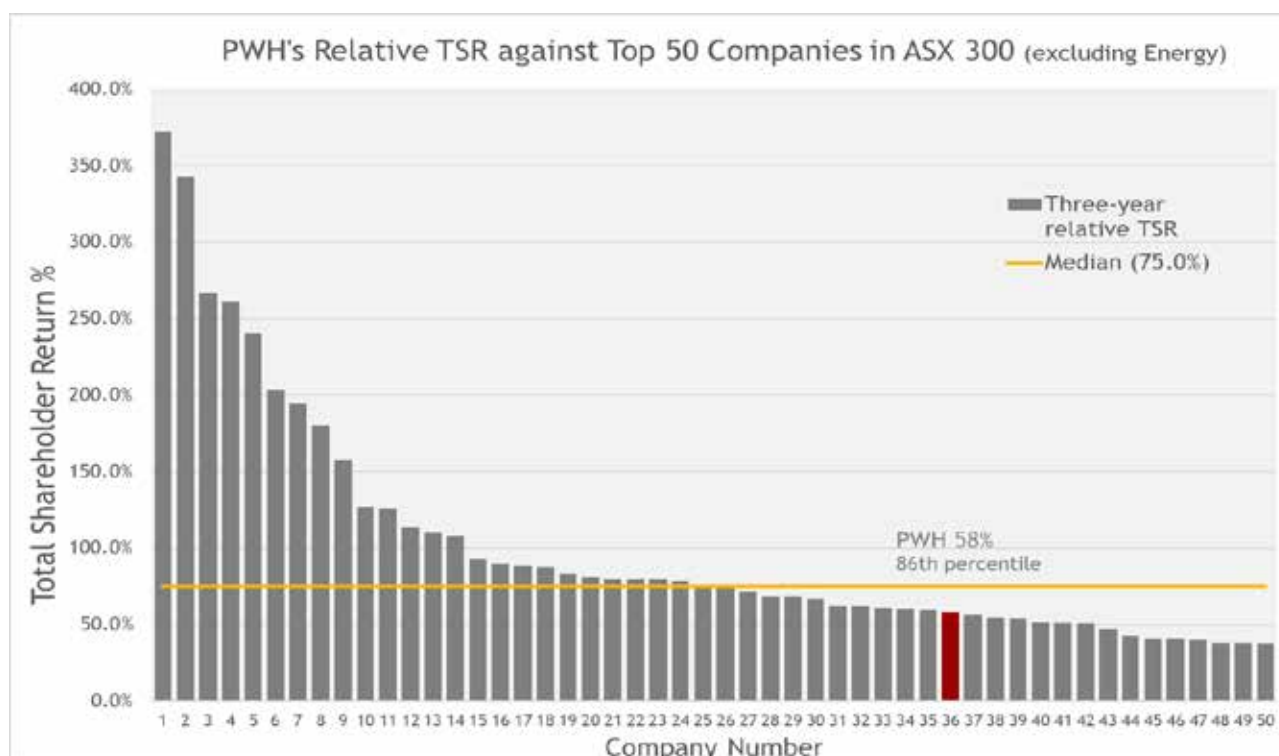
Table 1 The Group's Historical Performance

| Key indicators                                | Units      | Note | 2022                        | 2021                        | 2020                        | 2019                        | 2018     | 2017     |
|---|------------|------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|----------|----------|
| EBITDA  | \$'000     |      | \$35,747                    | \$28,963                    | \$23,430                    | \$21,763                    | \$16,336 | \$14,727 |
| Net profit after tax                          | \$'000     |      | \$20,843                    | \$16,797                    | \$13,049                    | \$14,206                    | \$11,001 | \$9,280  |
| Ordinary dividend per share                   | cents      |      | 12.00                       | 8.80                        | 5.90                        | 8.50                        | 7.30     | 5.60     |
| Special dividend per share                    | cents      |      | -                           | -                           | -                           | 3.00                        | -        | -        |
| Change in share price year-on-year            | \$         |      | (\$0.77)                    | \$2.60                      | \$0.37                      | \$1.41                      | \$0.36   | (\$0.43) |
| Earnings per share                            | cents      | B5   | 20.79                       | 16.77                       | 13.04                       | 14.21                       | 11.00    | 9.28     |
| Total Shareholder Return Ranking <sup>1</sup> | percentile |      | 86 <sup>th</sup> percentile | 98 <sup>th</sup> percentile | 90 <sup>th</sup> percentile | 70 <sup>th</sup> percentile | n/a      | n/a      |

<sup>1</sup> Compares the Company's TSR to the S&P/ASX 300 excluding companies operating in the Energy sector (oil, gas and coal) and those that have delisted over a 3 year performance period ending on 30 June for the relevant financial year

Figure 2 The Company's Total Shareholder Return (3 years to 30 June 2022) compares PWR to the ASX 300, excluding Energy sector (oil, gas and coal) over the 3 year performance period, ranking PWR at the 86th percentile.

Figure 2 The Company's Total Shareholder Return (3 years to 30 June 2022)



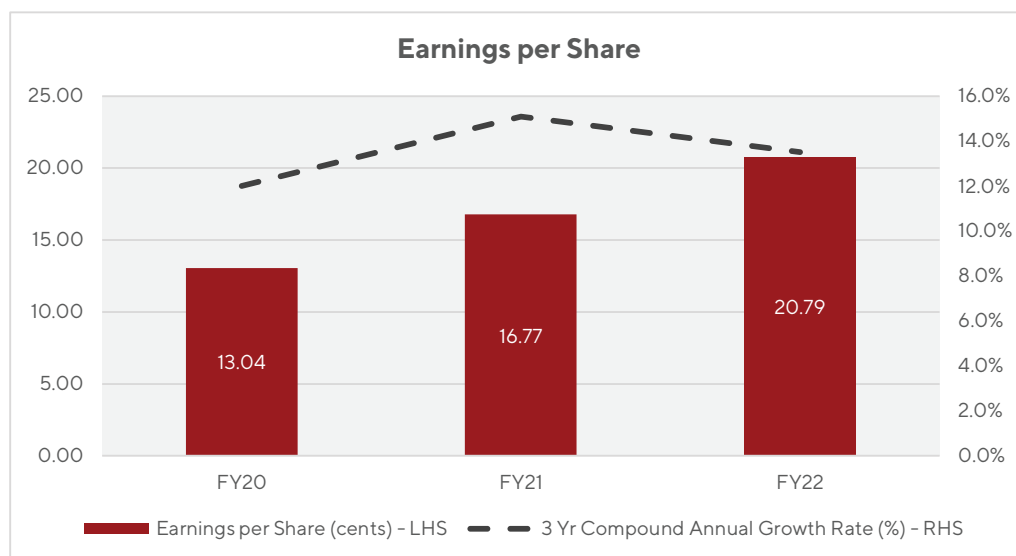
## Remuneration Report

For the year ended 30 June 2022

### 7. LINK BETWEEN THE GROUP PERFORMANCE, REMUNERATION OUTCOMES AND SHAREHOLDER VALUE (continued)

Figure 3 The Group's EPS growth to 30 June 2022, shows a year on year increase in the Group's Earnings per Share which equates to a 3 year growth rate of 46.3% and a 3 year compound annual growth rate of 13.5%.

Figure 3 The Group's 3 year growth in EPS to 30 Jun 2022



### 8. EXECUTIVE SHORT TERM INCENTIVE REMUNERATION OUTCOMES

#### 8.1. STIP Gate

The STIP operates with a NPAT gate to activate the plan. The gate was exceeded, opening the STIP to up to 100% of maximum scores. An increasing amount of STIP is available depending on by how much the STIP gate is exceeded.

#### 8.2. Corporate Scorecard

At the beginning of the reporting period, the Board established Company KPIs which together formed the Corporate Scorecard and which are largely non-financial KPIs. Subject to the STIP gate being met or exceeded the Corporate Scorecard accounts for up to 60% of the maximum potential cash bonus payable to the Executives. 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.



# Remuneration Report

For the year ended 30 June 2022

## 8. EXECUTIVE SHORT TERM INCENTIVE REMUNERATION OUTCOMES (continued)

Outcomes of the FY2022 Corporate Scorecard are outlined below:

Figure 4 Corporate Scorecard Outcomes FY2022

| KPI         | Voluntary Employee Turnover                    | Diversification and Growth                | Safety Performance                      | Critical Safety Risk Management  | Production Accuracy                                | Product Quality   |
|-------------|--|---|---|--|--|---|
| Weighting   | 15% target<br>20% stretch                      | 20%                                       | 10%                                     | 10%  | 15% target<br>20% stretch                          | 15% target<br>20% stretch   |
| Description | Rolling 12 month turnover of Group's employees | Emerging Technologies revenue growth      | Long term injury frequency rate (LTIFR) | Critical safety risk management  | Remakes and reworks as a % of manufactured product | Warranty claims and customer returns as % of total dispatched items |
| Measure     | 30% (target)<br>20% (stretch)                  | Emerging Technologies revenue of \$16.67m | LTIFR < 3                               | Critical Safety Risks identified and workforce educated on high potential reporting and monitoring | <7% (target)<br><5% (stretch)                      | <1% (target)<br><0.5% (stretch)                                     |
| Result      | >30%   | \$19.4m                                   | 1.2                                     | Risks identified and education ongoing   | 4%   | 0.1%  |
| Status      | Not Achieved                                   | Achieved                                  | Achieved                                | Partially achieved   | Stretch achieved                                   | Stretch achieved  |

### 8.3. Personal Scorecards

Up to 40% of the STI for the Executives is payable on meeting personal KPIs aligned to achieving key business outcomes identified in the Group's strategic plan. Outcomes for personal KPIs for the Executives are set out below:

Table 2 Executive Personal KPI Outcomes

| Executives  | Personal KPI   | Weighting | Percentage of KPI outcomes achieved |
|---|--|-----------|-------------------------------------|
| Kees Weel (Managing Director)                           | - Targets related to succession planning, expansion of the PWR C&R capacity and demonstration of the Group DNA                                   | 40%       | 80%                                 |
| Matthew Bryson (Chief Technical and Commercial Officer) | - Targets related to sales engineering capacity, business critical processes and procedures across the Group, and demonstration of the Group DNA | 40%       | 60%                                 |
| Martin McIver (Chief Financial Officer)                 | - Targets related to Group wide procurement function, ERP selection and demonstration of the Group DNA   | 40%       | 80%                                 |

## Remuneration Report

For the year ended 30 June 2022

### 8. EXECUTIVE SHORT TERM INCENTIVE REMUNERATION OUTCOMES (continued)

#### 8.4. FY2022 STIP Awards

Table 3 Executive FY2022 STIP Awards

| Executives  | Maximum Potential STIP (% TFR) | Actual Bonus included in FY22 remuneration (\$) <sup>1</sup> | Actual Bonus Earned in FY22 (as % TFR) <sup>2</sup> |
|---|--------------------------------|--|---|
| Kees Weel (Managing Director)                           | 50%                            | \$207,744  | 38%   |
| Matthew Bryson (Chief Technical and Commercial Officer) | 30%                            | \$78,147   | 20%   |
| Martin Mclver (Chief Financial Officer)                 | 30%                            | \$79,643   | 23%   |

1. Cash bonuses earned in FY2022 are paid in September 2022

2. KPIs that were not achieved attract no cash payment

### 9. LTIP PERFORMANCE OUTCOMES AND FY2022 AWARDS

The following table sets out LTIP performance outcomes for the 3 year period ended 30 June 2021. Performance Rights vested in September 2021, were exercised in November 2021 and the Company shares issued to participants

Table 4 LTIP Performance Outcomes for the 3 year period ended 30 June 2021

| Performance measure  | Outcome                     | % of LTI attaching to performance measure payable |
|--|-----------------------------|---|
| <b>EPS growth</b>  |                             |   |
| From 1 July 2018 to 30 June 2021   | 52.5%                       | 100%  |
| <b>Relative Total Shareholder Return</b>   |                             |   |
| Relative to S&P/ASX 300 excluding companies operating in the Energy sector (oil, gas and coal) and those that have de-listed since 1 July 2018 over a 3 year performance period ending on 30 June 2021 | 98 <sup>th</sup> percentile | 100%  |

The following table sets out LTIP performance outcomes for the 3 year period ended 30 June 2022. Performance Rights vest in September 2022 and following exercise, the Company shares will be issued to participants, subject to participants remaining employed at vesting.

Table 5 LTIP Performance Outcomes for the 3 year period ended 30 June 2022

| Performance measure  | Outcome                     | % of LTI attaching to performance measure payable |
|--|-----------------------------|---|
| <b>EPS growth</b>  |                             |   |
| From 1 July 2019 to 30 June 2022   | 46.3%                       | 100%  |
| <b>Relative Total Shareholder Return</b>   |                             |   |
| Relative to S&P/ASX 300 excluding companies operating in the Energy sector (oil, gas and coal) and those that have de-listed since 1 July 2019 over a 3 year performance period ending on 30 June 2022 | 86 <sup>th</sup> percentile | 100%  |

# Remuneration Report

For the year ended 30 June 2022

## 9. LTIP PERFORMANCE OUTCOMES AND FY2022 AWARDS (continued)

The following table sets out details of performance rights held by and granted to Executives

Table 6 Performance Rights held by and granted to Executives for the period ended 30 June 2022

| Name                   | Balance at 1 July 2021 | Granted during the year | Vested during the year | Forfeited during the year | Balance 30 June 2022 | \$ value of rights at grant date |
|------------------------|------------------------|-------------------------|------------------------|---------------------------|----------------------|----------------------------------|
| Kees Weel <sup>1</sup> | -                      | -                       | -                      | -                         | -                    | -                                |
| Matthew Bryson         | 82,259                 | 17,188                  | (31,417)               | -                         | 68,030               | \$381,621                        |
| Martin McIver          | -                      | 15,690                  | -                      | -                         | 15,690               | \$136,974                        |

1. Kees Weel, subject to shareholder approval is entitled to participate in the LTIP but chooses not to given his significant shareholding

The table below sets out the percentage performance achieved and percentage vested against the LTIP for performance rights currently on issue to Executives

Table 7 Performance and vesting of Performance Rights held by and granted to Executives per year

| Plan Year | Grant date | Vesting date <sup>1</sup> | Value of rights at grant date | EPS target achieved | TSR target achieved | Vesting Date     |
|-----------|------------|---------------------------|-------------------------------|---------------------|---------------------|------------------|
| FY20 LTIP | 19/09/19   | 01/09/22                  | \$89,021                      | 100 %               | 100 %               | Vest on 01/09/22 |
| FY21 LTIP | 07/06/21   | 01/09/23                  | \$142,549                     | To be determined    |                     |                  |
| FY22 LTIP | 01/10/21   | 01/09/24                  | \$287,025                     | To be determined    |                     |                  |

1. Subject to Board approval of performance hurdles and service conditions being met

## 10. SUMMARY OF REMUNERATION COMPONENTS AND HOW THEY OPERATE

### 10.1. Total Fixed Remuneration

Total Fixed Remuneration is set with reference to the median of the Group'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 Executives 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 considers the Executive's role and accountabilities, relevant market benchmarks and attraction, retention and motivation of Executives in the context of the overall market.

With respect to the annual salary reviews conducted at the end of FY2022 for salaries moving into FY2023, the Board appointed Godfrey Remuneration Group to benchmark Executive Total Fixed Remuneration during July 2022 and took on board GRG's advice when determining remuneration for the Executives for FY2023. The outcome of that exercise was:

- Managing Director - In recognition of Mr Weel's established tenure in the role of MD, performing at a high level and leading the Company through significant growth (in revenue, profit and share price), and in consideration of his remuneration relative to market peers, his Total Fixed Remuneration (TFR) was increased effective 1 July 2022 to \$653,000 per annum, representing a 19% increase on the prior year and which remains below benchmark and will require continued focus. His Short Term Incentive (STI) opportunity remained at 50% of TFR. Mr Weel elects not to participate in the Long Term Incentive Program (LTIP) given his significant shareholding in the Company, however the Board seeks to drive long-term shareholder wealth and will review the LTIP in the coming months to consider the MD's participation.
- Chief Technical and Commercial Officer - Based on a review of market peers, Mr Bryson's TFR has been set at \$405,000 per annum from 1 July 2022, a 5% increase on the prior year.
- Chief Financial Officer - Similarly, based on a review of market peers, Mr McIver's TFR has been set at \$380,000 per annum from 1 July 2022, an 8% increase on the prior year.
















## Remuneration Report

For the year ended 30 June 2022

### 10. SUMMARY OF REMUNERATION COMPONENTS AND HOW THEY OPERATE (continued)

#### 10.2. Short Term Incentives

The Managing Director and Executives are eligible to participate in the Group's Short-Term Incentive Plan.

| Executive Participants  | Managing Director, Chief Technical and Commercial Officer and Chief Financial Officer  |   |  |   |  |  |         |                                   |  |  |              |   |     |   |  |   |   |          |   |  |   |  |
|---|--|---|--|---|--|--|---------|-----------------------------------|--|--|--------------|---|-----|---|--|---|---|----------|---|--|---|--|
| How is it paid  | Annual cash bonus subject to achievement of corporate and personal KPIs  |   |  |   |  |  |         |                                   |  |  |              |   |     |   |  |   |   |          |   |  |   |  |
| STIP Gate   | The STIP gate is a minimum profit gateway based on the Group's budgeted profit target which must be met for the STIP to be activated for Executives. The amount by which the gate is exceeded then determines the maximum that can be attributed to each KPI on the Corporate Scorecard.   |   |  |   |  |  |         |                                   |  |  |              |   |     |   |  |   |   |          |   |  |   |  |
| Corporate Scorecard (60% weighting)   | The Board establishes company KPIs that form the Corporate Scorecard on an annual basis. These are determined by assessing key drivers that are required to deliver on our strategic objectives and require the Executives to work as a team to achieve.   |   |  |   |  |  |         |                                   |  |  |              |   |     |   |  |   |   |          |   |  |   |  |
| Personal KPIs (40% weighting)   | 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 other Executives for Board approval. Personal KPIs represent 40% of the maximum potential cash bonus payable to the Executives and for payment to be made against these KPIs, the STIP 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.   |   |  |   |  |  |         |                                   |  |  |              |   |     |   |  |   |   |          |   |  |   |  |
| Target  | Managing Director – 37.5% TFR<br>Executives – 22.5% TFR  |   |  |   |  |  |         |                                   |  |  |              |   |     |   |  |   |   |          |   |  |   |  |
| Maximum   | Managing Director – 50% TFR<br>Executives – 30% TFR  |   |  |   |  |  |         |                                   |  |  |              |   |     |   |  |   |   |          |   |  |   |  |
| Potential Outcome of STIP   | <table border="1"> <thead> <tr> <th></th> <th>Not met</th> <th colspan="3">STIP not activated for Executives</th> <th>No STI Award</th> </tr> </thead> <tbody> <tr> <td rowspan="2"> <b>STIP Gate</b><br/> </td> <td>Met</td> <td>                     Company Scorecard Weighting<br/>Maximum 45%<br/> </td> <td>                     Personal KPIs and PWR DNA -<br/>Weighting Maximum 40%<br/> </td> <td>=</td> <td>                     STI Award<br/>Corporate up to 75% of maximum<br/>Personal up to 100% of maximum                 </td> </tr> <tr> <td>Exceeded</td> <td>                     Company Scorecard Weighting<br/>between 45% and 60%<br/> </td> <td>                     Personal KPIs and PWR DNA -<br/>Weighting Maximum 40%<br/> </td> <td>=</td> <td>                     STI Award<br/>Corporate up to 100% of maximum<br/>Personal up to 100% of maximum                 </td> </tr> </tbody> </table> |   |  |   |  |  | Not met | STIP not activated for Executives |  |  | No STI Award | <b>STIP Gate</b><br> | Met | Company Scorecard Weighting<br>Maximum 45%<br> | Personal KPIs and PWR DNA -<br>Weighting Maximum 40%<br> | = | STI Award<br>Corporate up to 75% of maximum<br>Personal up to 100% of maximum | Exceeded | Company Scorecard Weighting<br>between 45% and 60%<br> | Personal KPIs and PWR DNA -<br>Weighting Maximum 40%<br> | = | STI Award<br>Corporate up to 100% of maximum<br>Personal up to 100% of maximum |
|   | Not met  | STIP not activated for Executives   |  |   | No STI Award   |  |         |                                   |  |  |              |   |     |   |  |   |   |          |   |  |   |  |
| <b>STIP Gate</b><br> | Met  | Company Scorecard Weighting<br>Maximum 45%<br>         | Personal KPIs and PWR DNA -<br>Weighting Maximum 40%<br> | = | STI Award<br>Corporate up to 75% of maximum<br>Personal up to 100% of maximum  |  |         |                                   |  |  |              |   |     |   |  |   |   |          |   |  |   |  |
|   | Exceeded   | Company Scorecard Weighting<br>between 45% and 60%<br> | Personal KPIs and PWR DNA -<br>Weighting Maximum 40%<br> | = | STI Award<br>Corporate up to 100% of maximum<br>Personal up to 100% of maximum |  |         |                                   |  |  |              |   |     |   |  |   |   |          |   |  |   |  |

# Remuneration Report

For the year ended 30 June 2022

## 10. SUMMARY OF REMUNERATION COMPONENTS AND HOW THEY OPERATE (continued)

### 10.3. Long Term Incentives

The Managing Director and the Executives 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.

| Executive participants                 | Managing Director, Chief Technical and Commercial Officer and Chief Financial Officer  |                   |                 |                    |             |  |                  |                    |              |                          |                 |                        |             |                                |                  |                         |              |
|--|--|-------------------|-----------------|--------------------|-------------|--|------------------|--------------------|--------------|--------------------------|-----------------|------------------------|-------------|--------------------------------|------------------|-------------------------|--------------|
| How is it paid?                        | Performance Rights.<br>Executives are invited by the Board to apply for performance rights ("Rights") on an annual basis under the LTIP as part of their Total Remuneration.   |                   |                 |                    |             |  |                  |                    |              |                          |                 |                        |             |                                |                  |                         |              |
| How many Rights are granted?           | The number of Rights granted to each Executive is calculated by dividing the % of TFR eligibility by the Company volume weighted average share price for the trading days of the June prior to the commencement of the performance period.<br><br>Managing Director – 50% of TFR (note that the MD although eligible, subject to shareholder approval to participate in the LTIP, elects not to do so given his significant shareholding). The Board is currently considering restructuring the LTIP to allow for the MD to participate where resultant awards are able to be paid in cash. A recommendation will be put to shareholders at the 2022 AGM for consideration.<br><br>Executives – 30% of TFR   |                   |                 |                    |             |  |                  |                    |              |                          |                 |                        |             |                                |                  |                         |              |
| Performance period                     | 3 years.<br><br>Rights convert to ordinary shares in the Company on a 1 for 1 basis at the end of the 3 year performance period depending on the extent to which performance hurdles are achieved and service conditions met.  |                   |                 |                    |             |  |                  |                    |              |                          |                 |                        |             |                                |                  |                         |              |
| Performance hurdles                    | The performance hurdles for Rights granted prior to FY2021 are: <ul style="list-style-type: none"> <li>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&amp;P/ASX300, excluding Energy sector (oil, gas and coal). TSR is calculated by an independent third party, comparing the TSR percentile rank that the Company holds relative to the benchmark group for the relevant 3 year performance period: <table border="1"> <thead> <tr> <th>TSR Ranking (TSR)</th> <th>Vesting outcome</th> </tr> </thead> <tbody> <tr> <td>TSR is 50% or less</td> <td>Nil vesting</td> </tr> <tr> <td>TSR is more than 50% but less than 75%</td> <td>Pro rata vesting</td> </tr> <tr> <td>TSR is 75% or more</td> <td>100% vesting</td> </tr> </tbody> </table> </li> <li>50% of the rights will vest upon achievement of growth in EPS. Vesting is determined by the growth in EPS from the financial year immediately prior to the start of the Performance Period (base year) to the end of the third year of the Performance Period, measured against specific EPS targets outlined below: <table border="1"> <thead> <tr> <th>Earnings Per Share (EPS)</th> <th>Vesting outcome</th> </tr> </thead> <tbody> <tr> <td>EPS growth rate of &lt;4%</td> <td>Nil vesting</td> </tr> <tr> <td>EPS growth rate of ≥4% to ≤12%</td> <td>Pro rata vesting</td> </tr> <tr> <td>EPS growth rate of &gt;12%</td> <td>100% vesting</td> </tr> </tbody> </table> </li> </ul> <p>While the TSR hurdle remains the same, the EPS hurdle for the Rights granted from FY2021 onwards is different to that attached to Rights granted prior to that. For Rights granted from FY2021 onwards:</p> | 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 | Earnings Per Share (EPS) | Vesting outcome | EPS growth rate of <4% | Nil vesting | EPS growth rate of ≥4% to ≤12% | Pro rata vesting | EPS growth rate of >12% | 100% vesting |
| 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   |                   |                 |                    |             |  |                  |                    |              |                          |                 |                        |             |                                |                  |                         |              |
| Earnings Per Share (EPS)               | Vesting outcome  |                   |                 |                    |             |  |                  |                    |              |                          |                 |                        |             |                                |                  |                         |              |
| EPS growth rate of <4%                 | Nil vesting  |                   |                 |                    |             |  |                  |                    |              |                          |                 |                        |             |                                |                  |                         |              |
| EPS growth rate of ≥4% to ≤12%         | Pro rata vesting   |                   |                 |                    |             |  |                  |                    |              |                          |                 |                        |             |                                |                  |                         |              |
| EPS growth rate of >12%                | 100% vesting   |                   |                 |                    |             |  |                  |                    |              |                          |                 |                        |             |                                |                  |                         |              |



## Remuneration Report

For the year ended 30 June 2022

### 10. SUMMARY OF REMUNERATION COMPONENTS AND HOW THEY OPERATE (continued)

|  | <ul style="list-style-type: none"> <li>50% of the rights will vest based on compound growth in annual 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:</li> </ul>  |                          |                 |  |             |  |                  |   |              |
|--|--|--------------------------|-----------------|--|-------------|--|------------------|---|--------------|
|  | <table border="1"> <thead> <tr> <th style="text-align: left;">Earnings Per Share (EPS)</th> <th style="text-align: left;">Vesting outcome</th> </tr> </thead> <tbody> <tr> <td>Compound annual growth rate of EPS &lt;4%</td> <td>Nil vesting</td> </tr> <tr> <td>Compound annual growth rate of EPS ≥4% to ≤10%</td> <td>Pro rata vesting</td> </tr> <tr> <td>Compound annual growth rate of EPS &gt;10%</td> <td>100% vesting</td> </tr> </tbody> </table> | 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 |
| 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   |                          |                 |  |             |  |                  |   |              |
| Service Condition                              | Participants must remain continually employed with the Company until the date of vesting.  |                          |                 |  |             |  |                  |   |              |
| Vesting  | Rights that do not vest at the end of the 3 year period lapse, unless the Board in its discretion determines otherwise. Upon cessation of employment prior to the vesting date, Rights will be forfeited and lapse unless the Board in its discretion determines otherwise. Rights do not entitle holders to dividends that are declared during the vesting period.  |                          |                 |  |             |  |                  |   |              |
| Why relative TSR and Compound EPS?             | The Board believes that these hurdles represent an appropriate balance between internal performance and external benchmarking. EPS is a relevant indicator of increase in shareholder value and the EPS hurdles provide a line of sight to encourage performance. Relative TSR is aligned with the Group's growth strategy.  |                          |                 |  |             |  |                  |   |              |
| Restrictions                                   | Executives are prohibited from entering into transactions or arrangements which operate to transfer or limit the economic risk of any Rights held under the LTIP while they are subject to performance hurdles or otherwise unvested.  |                          |                 |  |             |  |                  |   |              |

### 11. CONTRACT DURATION AND TERMINATION REQUIREMENTS

The Company has contracts of employment with no fixed tenure requirements with the 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 8 Executive Notice Periods

| Name           | Position                               | Notice Period |
|----------------|--|---------------|
| Kees Weel      | Managing Director                      | 6 months      |
| Matthew Bryson | Chief Technical and Commercial Officer | 6 months      |
| Martin Mclver  | Chief Financial Officer                | 3 months      |

### 12. REMUNERATION OF NON-EXECUTIVE DIRECTORS

#### 12.1. 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 Fee Limit (AFL), in place since listing in 2015, is \$750,000 per annum (inclusive of superannuation contributions). The Board determines the distribution of Non-Executive Director fees within the approved AFL.

# Remuneration Report

For the year ended 30 June 2022

## 12. REMUNERATION OF NON-EXECUTIVE DIRECTORS (continued)

### 12.2. Review of Non-Executive Director Remuneration Policy and Non-Executive Director Remuneration

The Board appointed Godfrey Remuneration Group to review the Non-Executive Director Remuneration Policy and to benchmark NED Remuneration for the period commencing 1 July 2022. Following the independent review, the Non-Executive Director Remuneration Policy was amended as follows:

- The Main Board Package (MBP) for Non-Executive Directors should be positioned around P50 (50th percentile) of market practices, with the variation in the clustering reflecting differences in contributions to committees i.e., those contributing higher workloads will fall above P50, and those contributing the least, just below P50.
- The MBP of the Chairman will be paid as a multiple of the Non-Executive Director MBP derived from the market analysis. The Chairman will not receive committee fees in addition to a Board fee.
- The purpose of Non-Executive Director remuneration is to recognise the work undertaken by Board members for their work as Non-Executive Directors. Extra work undertaken by a Non-Executive Director outside of the normal scope of NED duties should be remunerated at an agreed upon rate based on the amount of work undertaken in addition to their MBP.
- Board Committee Chairs receive a fee of \$20,000 per annum, however the Board Chairman does not receive committee fees, regardless of participation level.

### 12.3. NED Remuneration

The following table sets out the Main Board Package for the Chairman and Non-Executive Directors throughout the reporting period and the new MBP from 1 July 2022.

Table 9 Non-Executive Main Board Package

| Role   | MBP during Reporting Period | MBP from 1 July 2022 |
|--|-----------------------------|----------------------|
| Chairman   | \$170,776 <sup>1</sup>      | \$195,000            |
| Non-Executive Director and Chairman Audit and Risk Committee | \$115,525 <sup>2</sup>      | \$130,000            |
| Non-Executive Director                                       | \$95,000                    | \$110,000            |

1. Included \$10,000 per annum for taking on role of Chairman of Nomination and Remuneration Committee during FY2022

2. Included \$10,000 per annum for taking on role of Chairman of Audit and Risk Committee during FY2022

## Remuneration Report

For the year ended 30 June 2022

### 13. KEY MANAGEMENT PERSONNEL | STATUTORY REMUNERATION TABLE

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

Table 10 KMP Statutory Remuneration Table

| Name and Role                    | Year | Short-term benefits |            |                   | Employment Benefits |                | Long-term benefits   |                    | Share-based payments |                    | Total   |
|----------------------------------|------|---------------------|------------|-------------------|---------------------|----------------|----------------------|--------------------|----------------------|--------------------|---------|
|                                  |      | Cash salary & fees  | Cash Bonus | Non-cash benefits | Total               | Super benefits | Termination benefits | Long service leave | Performance rights   | Performance rights |         |
|                                  |      | \$                  | \$         | \$                | \$                  | \$             | \$                   | \$                 | \$                   | \$                 | \$      |
| <b>Non-executive Directors</b>   |      |                     |            |                   |                     |                |                      |                    |                      |                    |         |
| <b>Current</b>                   |      |                     |            |                   |                     |                |                      |                    |                      |                    |         |
| Teresa Handicott                 | 2022 | 155,251             | -          | -                 | 155,251             | 15,525         | -                    | -                  | -                    | -                  | 170,776 |
| Chairman, Non-Executive Director | 2021 | 155,251             | -          | -                 | 155,251             | 14,749         | -                    | -                  | -                    | -                  | 170,000 |
| Jeff Forbes                      | 2022 | 105,023             | -          | -                 | 105,023             | 10,502         | -                    | -                  | -                    | -                  | 115,525 |
| Non-Executive Director           | 2021 | 105,023             | -          | -                 | 105,023             | 9,977          | -                    | -                  | -                    | -                  | 115,000 |
| Roland Dane                      | 2022 | 95,000              | -          | -                 | 95,000              | -              | -                    | -                  | -                    | -                  | 95,000  |
| Non-Executive Director           | 2021 | 95,000              | -          | -                 | 95,000              | -              | -                    | -                  | -                    | -                  | 95,000  |
| <b>Total - Non-Executive</b>     | 2022 | 355,274             | -          | -                 | 355,274             | 26,027         | -                    | -                  | -                    | -                  | 381,301 |
| <b>Directors' Remuneration</b>   | 2021 | 355,274             | -          | -                 | 355,274             | 24,726         | -                    | -                  | -                    | -                  | 380,000 |

# Remuneration Report

For the year ended 30 June 2022

## 13. KEY MANAGEMENT PERSONNEL | STATUTORY REMUNERATION TABLE (continued)

| Name and Role  | Year | Short-term benefits |            |                                   | Employment Benefits |                | Long-term benefits   |                    |                    | Share-based payments | Performance rights <sup>(v)</sup> | Total | Proportion of remuneration performance related |
|--|------|---------------------|------------|-----------------------------------|---------------------|----------------|----------------------|--------------------|--------------------|----------------------|-----------------------------------|-------|--|
|  |      | Cash salary & fees  | Cash Bonus | Non-cash benefits <sup>(iv)</sup> | Total               | Super benefits | Termination benefits | Long service leave | Long-term benefits |                      |                                   |       |  |
| <b>Executive Directors and Executives</b>                        |      |                     |            |                                   |                     |                |                      |                    |                    |                      |                                   |       |  |
| <b>Current</b>   |      |                     |            |                                   |                     |                |                      |                    |                    |                      |                                   |       |  |
| Kees Weel  | 2022 | 521,458             | 207,744    | 39,080                            | 768,282             | 25,000         | -                    | 12,837             | -                  | -                    | 806,119                           | 25.8% |  |
| Managing Director  | 2021 | 475,000             | -          | 17,833                            | 492,833             | 34,675         | -                    | 19,406             | -                  | -                    | 546,914                           | 0%    |  |
| Matthew Bryson <sup>(i)</sup>                                    | 2022 | 387,692             | 78,147     | (19,300)                          | 446,539             | 25,000         | -                    | 8,237              | 119,455            | 599,231              | 33.0%                             |       |  |
| Chief Technical and Commercial Officer                           | 2021 | 349,615             | -          | 25,265                            | 374,880             | 29,344         | -                    | 17,458             | 104,188            | 525,870              | 19.8%                             |       |  |
| Martin McIver <sup>(ii)</sup>                                    | 2022 | 327,857             | 79,643     | 18,910                            | 426,410             | 23,568         | -                    | -                  | 34,950             | 484,928              | 23.6%                             |       |  |
| Chief Financial Officer  | 2021 | 69,449              | -          | 5,342                             | 74,792              | 5,424          | -                    | -                  | -                  | 80,216               | 0%                                |       |  |
| <b>Former</b>  |      |                     |            |                                   |                     |                |                      |                    |                    |                      |                                   |       |  |
| Stuart Smith <sup>(iii)</sup>                                    | 2022 | -                   | -          | -                                 | -                   | -              | -                    | -                  | -                  | -                    | -                                 | 0%    |  |
| Chief Financial Officer  | 2021 | 294,265             | -          | 14,252                            | 308,516             | 35,451         | 97,500               | -                  | 5,237              | 446,704              | 1.2%                              |       |  |
| <b>Total – Executive Directors' and Executives' Remuneration</b> | 2022 | 1,237,007           | 365,534    | 38,690                            | 1,641,231           | 73,568         | -                    | 21,074             | 154,405            | 1,890,278            | 27.5%                             |       |  |
|  | 2021 | 1,188,329           | -          | 62,692                            | 1,251,021           | 104,894        | 97,500               | 36,864             | 109,425            | 1,599,704            | 6.8%                              |       |  |
| <b>Total – KMP Remuneration</b>                                  | 2022 | 1,592,281           | 365,534    | 38,690                            | 1,996,505           | 99,595         | -                    | 21,074             | 154,405            | 2,271,579            | 22.9%                             |       |  |
|  | 2021 | 1,543,603           | -          | 62,692                            | 1,606,295           | 129,620        | 97,500               | 36,864             | 109,425            | 1,979,704            | 5.5%                              |       |  |

(i) Cash salary and fees for 2022 includes \$27,692 annual leave payout

(ii) Commenced employment 12 April 2021

(iii) Employment ceased on 23 April 2021

(iv) Annual leave and FBT movement

(v) The fair value of the rights is calculated at the date of grant and allocated to each reporting period evenly over the period from grant date to vesting date. Comparatives have been restated on this basis.

## Directors' Report

# Remuneration Report

For the year ended 30 June 2022

### 14. 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 11 Shareholdings of KMP

| Name                           | Shareholdings of KMP           |                                       |  |       | Closing Balance<br>30 June 2022 |
|--------------------------------|--------------------------------|---------------------------------------|--|-------|---------------------------------|
|                                | Opening Balance<br>1 July 2021 | Shares acquired<br>during the<br>year | Shares disposed of<br>during the<br>year | Other |                                 |
| <b>Non-Executive Directors</b> |                                |                                       |  |       |                                 |
| Teresa Handicott               | 39,500                         | 1,000                                 | -  | -     | 40,500                          |
| Jeff Forbes                    | 20,000                         | -                                     | -  | -     | 20,000                          |
| Roland Dane                    | 60,885                         | 2,844                                 | -  | -     | 63,729                          |
| <b>Executives</b>              |                                |                                       |  |       |                                 |
| Kees Weel <sup>(i)</sup>       | 20,307,788                     | -                                     | -  | -     | 20,307,788                      |
| Matthew Bryson <sup>(ii)</sup> | 3,388,639                      | 31,417                                | (150,000)                                | -     | 3,270,056                       |
| Martin Mclver                  | -                              | 1,200                                 | -  | -     | 1,200                           |

(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 2022 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 2022 Kees Weel is a director of the trustee and beneficiary of the trust.

(ii) 31,417 shares acquired by Matthew Bryson on vesting of FY2019 performance rights

### 15. VOTING AND COMMENTS MADE AT THE COMPANY'S FY2021 ANNUAL GENERAL MEETING

The Company received 99.63% 'for' votes on its remuneration report for FY2021. The Company did not receive any specific feedback or comments at the FY2021 AGM on its remuneration report.

### 16. EQUITY INSTRUMENTS

#### 16.1. Performance rights over equity instruments

Details of performance rights over ordinary shares in the Company that were granted as remuneration to Executives during the reporting period are included Table 10 KMP Statutory Remuneration Table on page 55.

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



# Remuneration Report

For the year ended 30 June 2022

## 16. EQUITY INSTRUMENTS (continued)

116,272 performance rights vested during the reporting period. Total Performance Rights on issue at 30 June 2022 are as follows:

Table 12 Rights Over Equity Instruments Granted as Remuneration

| Executive                                | 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                           | FY20 LTIP             | 23,243                   | 3.17                               | 4.49             | 19/09/19   | 01/09/22     | 01/03/23    |
| Chief Technical and Commercial Officer   | FY21 LTIP             | 27,599                   | 4.33                               | 6.00             | 07/06/21   | 01/09/23     | 01/03/24    |
|  | FY22 LTIP             | 17,188                   | 8.15                               | 9.31             | 01/10/21   | 01/09/24     | 01/03/25    |
| Martin McIver                            |                       |                          |                                    |                  |            |              |             |
| Chief Financial Officer                  | FY22 LTIP             | 15,690                   | 8.15                               | 9.31             | 01/10/21   | 01/09/24     | 01/03/25    |
| <b>Total on Issue to Executive</b>       |                       | <b>83,720</b>            |                                    |                  |            |              |             |
| Total on Issue to Non KMP                |                       | 189,618                  |                                    |                  |            |              |             |
| <b>Total on issue at 30 June 2022</b>    |                       | <b>273,338</b>           |                                    |                  |            |              |             |
| Total Vested during the reporting period |                       | 116,272                  |                                    |                  |            |              |             |
| Total Forfeited due to resignation       |                       | -                        |                                    |                  |            |              |             |

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 13 Executive Performance Rights Over Equity Instruments

| Rights         | Held 1 July 2021 | Granted as compensation | Exercised | Lapsed | Forfeited | Held 30 June 2022 | Vested during year | Vested and exercisable at 30 June 2022 |
|----------------|------------------|-------------------------|-----------|--------|-----------|-------------------|--------------------|--|
| Matthew Bryson | 82,259           | 17,188                  | (31,417)  | -      | -         | 68,030            | 31,417             | -                                      |
| Martin McIver  | -                | 15,690                  | -         | -      | -         | 15,690            | -                  | -                                      |

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

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

Table 14 Rights That Vested to Executive During the Reporting Period

| Executive      | Number of shares | Amount paid per share (\$) |
|----------------|------------------|----------------------------|
| Matthew Bryson | 31,417           | -                          |
| Martin McIver  | -                | -                          |

## Directors' Report

# Remuneration Report

For the year ended 30 June 2022

### 16. EQUITY INSTRUMENTS (continued)

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

Table 15 Value of Rights That Vested to Executive during the Reporting Period

| Name           | Granted in year<br>\$( <sup>a</sup> ) | Value of rights exercised in year<br>\$( <sup>b</sup> ) |
|----------------|---------------------------------------|---|
| Matthew Bryson | \$150,051                             | \$262,990   |
| Martin McIver  | \$136,974                             | -   |

(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.

#### 16.2. 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  
18<sup>th</sup> August 2022



-----  
**Kees Weel**  
Managing Director  
Brisbane  
18<sup>th</sup> August 2022

## Financial Statements

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2022

|   | Note | 2022<br>\$'000     | 2021<br>\$'000 |
|---|------|--------------------|----------------|
| Revenue   | B2   | 101,072            | 79,208         |
| Other income  | B2   | 1,590              | 2,760          |
| Raw materials and consumables expenses                                  | B3   | (20,851)           | (18,013)       |
| Employee expenses   | B3   | (38,897)           | (30,932)       |
| Occupancy expenses  |      | (750)              | (562)          |
| Other expenses  |      | (6,417)            | (3,498)        |
| <b>Profit before depreciation, net finance costs and income tax</b>     |      | <b>35,747</b>      | 28,963         |
| Depreciation and amortisation   | C5   | (7,225)            | (5,739)        |
| <b>Total depreciation and amortisation expense</b>                      |      | <b>(7,225)</b>     | (5,739)        |
| Finance income  |      | 172                | 24             |
| Finance costs   |      | (202)              | (701)          |
| <b>Net finance (costs)/income</b>                                       | B4   | <b>(30)</b>        | (677)          |
| <b>Profit before income tax</b>   | B1   | <b>28,492</b>      | 22,547         |
| Income tax expense  | E1   | (7,649)            | (5,750)        |
| <b>Profit for the year attributable to equity holders of the parent</b> |      | <b>20,843</b>      | 16,797         |
| <b>Other comprehensive income</b>                                       |      |                    |                |
| <b>Items that are or may be reclassified to profit or loss:</b>         |      |                    |                |
| Exchange differences on translating foreign operations                  |      | 624                | (528)          |
| <b>Total comprehensive income for the year</b>                          |      | <b>21,467</b>      | 16,269         |
| <b>Basic and diluted earnings per share</b>                             | B5   | <b>20.79 cents</b> | 16.77 cents    |

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

## Financial Statements

# Consolidated Statement of Financial Position

At 30 June 2022

|                                      | Note | 2022<br>\$'000 | 2021<br>\$'000 |
|--------------------------------------|------|----------------|----------------|
| <b>Assets</b>                        |      |                |                |
| <b>Current assets</b>                |      |                |                |
| Cash and cash equivalents            | C1   | 21,499         | 19,857         |
| Trade and other receivables          | C2   | 13,813         | 9,341          |
| Inventories                          | C3   | 12,746         | 6,489          |
| Other assets                         | C4   | 2,847          | 1,646          |
| <b>Total current assets</b>          |      | <b>50,905</b>  | <b>37,333</b>  |
| <b>Non-current assets</b>            |      |                |                |
| Property, plant and equipment        | C5   | 32,594         | 34,280         |
| Intangible assets                    | C6   | 15,027         | 14,915         |
| Deferred tax assets                  | E2   | -              | 770            |
| <b>Total non-current assets</b>      |      | <b>47,621</b>  | <b>49,965</b>  |
| <b>Total assets</b>                  |      | <b>98,526</b>  | <b>87,298</b>  |
| <b>Liabilities</b>                   |      |                |                |
| <b>Current liabilities</b>           |      |                |                |
| Trade and other payables             | C7   | 7,532          | 5,333          |
| Lease liabilities                    | F1   | 1,903          | 1,789          |
| Deferred Income                      | F2   | 469            | 443            |
| Contract liabilities                 | C8   | 907            | 901            |
| Employee benefits                    | D1   | 3,324          | 2,626          |
| Current tax liabilities              | E2   | 218            | 2,001          |
| Provisions                           |      | 263            | 173            |
| <b>Total current liabilities</b>     |      | <b>14,616</b>  | <b>13,266</b>  |
| <b>Non-current liabilities</b>       |      |                |                |
| Lease liabilities                    | F1   | 4,839          | 6,667          |
| Deferred Income                      | F2   | 1,219          | 1,746          |
| Contract liabilities                 | C8   | 440            | 1,351          |
| Employee benefits                    | D1   | 348            | 306            |
| Deferred tax liabilities             | E2   | 667            | -              |
| <b>Total non-current liabilities</b> |      | <b>7,513</b>   | <b>10,070</b>  |
| <b>Total liabilities</b>             |      | <b>22,129</b>  | <b>23,336</b>  |
| <b>Net assets</b>                    |      | <b>76,397</b>  | <b>63,962</b>  |
| <b>Equity</b>                        |      |                |                |
| Issued capital                       | F3   | 26,484         | 26,223         |
| Reserves                             |      | 864            | 12             |
| Retained earnings                    |      | 49,049         | 37,727         |
| <b>Total equity</b>                  |      | <b>76,397</b>  | <b>63,962</b>  |

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

# Consolidated Statement of Changes in Equity

For the year ended 30 June 2022

|  | Note | Issued Capital<br>\$'000 | Foreign currency translation reserve<br>\$'000 | Share based payments reserve | Retained earnings<br>\$'000 | Total equity<br>\$'000 |
|--|------|--------------------------|--|------------------------------|-----------------------------|------------------------|
| Balance at 1 July 2021                                       |      | 26,223                   | (615)  | 627                          | 37,727                      | 63,962                 |
| <b>Total comprehensive income for the year</b>               |      |                          |  |                              |                             |                        |
| Profit for the year  |      | -                        | -  | -                            | 20,843                      | 20,843                 |
| Other comprehensive income                                   |      | -                        | 624  | -                            | -                           | 624                    |
| Total comprehensive income                                   |      | -                        | 624  | -                            | 20,843                      | 21,467                 |
| <b>Transactions with owners, recorded directly in equity</b> |      |                          |  |                              |                             |                        |
| Employee share-based payments                                | D3   | 261                      | -  | 228                          | -                           | 489                    |
| Dividends paid   | F4   | -                        | -  | -                            | (9,521)                     | (9,521)                |
| Total transactions with owners                               |      | 261                      | -  | 228                          | (9,521)                     | (9,032)                |
| <b>Balance at 30 June 2022</b>                               |      | <b>26,484</b>            | <b>9</b>                                       | <b>855</b>                   | <b>49,049</b>               | <b>76,397</b>          |
| <b>Balance at 30 June 2021</b>                               |      |                          |  |                              |                             |                        |
| Balance at 1 July 2020                                       |      | 26,071                   | (87)   | 524                          | 27,742                      | 54,250                 |
| <b>Total comprehensive income for the year</b>               |      |                          |  |                              |                             |                        |
| Profit for the year  |      | -                        | -  | -                            | 16,797                      | 16,797                 |
| Other comprehensive income                                   |      | -                        | (528)  | -                            | -                           | (528)                  |
| Total comprehensive income                                   |      | -                        | (528)  | -                            | 16,797                      | 16,269                 |
| <b>Transactions with owners, recorded directly in equity</b> |      |                          |  |                              |                             |                        |
| 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)                |
| <b>Balance at 30 June 2021</b>                               |      | <b>26,223</b>            | <b>(615)</b>                                   | <b>627</b>                   | <b>37,727</b>               | <b>63,962</b>          |

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



## Financial Statements

# Consolidated Statement of Cash Flows

For the year ended 30 June 2022

|   | Note | 2022<br>\$'000  | 2021<br>\$'000  |
|---|------|-----------------|-----------------|
| <b>Cash flows from operating activities</b>                 |      |                 |                 |
| Cash receipts from customers                                |      | 95,534          | 80,111          |
| Government COVID-19 grants received                         |      | 70              | 1,980           |
| Cash paid to suppliers and employees                        |      | (72,082)        | (50,723)        |
| Cash generated from operating activities                    |      | 23,522          | 31,368          |
| Interest paid   |      | (9)             | (340)           |
| Income tax paid   |      | (6,472)         | (4,619)         |
| <b>Net cash from operating activities</b>                   | C1   | <b>17,041</b>   | <b>26,409</b>   |
| <b>Cash flows from investing activities</b>                 |      |                 |                 |
| Government grant income received                            |      | 1,083           | 55              |
| Interest received   |      | 20              | 24              |
| Proceeds from sale of property, plant and equipment         |      | 70              | 4               |
| Payments for property, plant and equipment                  | C5   | (5,023)         | (10,365)        |
| <b>Net cash used in investing activities</b>                |      | <b>(3,850)</b>  | <b>(10,282)</b> |
| <b>Cash flows from financing activities</b>                 |      |                 |                 |
| Dividends paid  |      | (9,521)         | (6,812)         |
| Proceeds from borrowings/(repayment of borrowings)          | F1   | -               | (8,585)         |
| Payment of lease liabilities                                |      | (2,016)         | (1,819)         |
| <b>Net cash used in financing activities</b>                |      | <b>(11,537)</b> | <b>(17,216)</b> |
| <b>Net (decrease)/increase in cash and cash equivalents</b> |      | <b>1,654</b>    | <b>(1,089)</b>  |
| Cash and cash equivalents at 1 July                         |      | 19,857          | 20,805          |
| Effect of exchange rate fluctuations on cash held           |      | (12)            | 141             |
| <b>Cash and cash equivalents at 30 June</b>                 | C1   | <b>21,499</b>   | <b>19,857</b>   |

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

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 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 2022 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, aerospace and defence, and automotive aftermarket 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 18<sup>th</sup> August 2022.

#### (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. 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 note C6 (Intangible assets).

### A3 Significant accounting policies

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

## Financial Statements

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## SECTION B BUSINESS PERFORMANCE

### B1 Operating segments

The Group has 2 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 motorsports, OEM, aerospace and defence, and automotive aftermarket products for non-USA markets.   |
| PWR C&R                  | Designing and manufacturing high end motorsports, OEM, aerospace and defence and automotive aftermarket products primarily for the USA market. The PWR C&R segment had previously been referred to as PWR North America and 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 C&R        |                | Total          |                |
|---|--------------------------|----------------|----------------|----------------|----------------|----------------|
|   | 2022<br>\$'000           | 2021<br>\$'000 | 2022<br>\$'000 | 2021<br>\$'000 | 2022<br>\$'000 | 2021<br>\$'000 |
| Revenue from sale of manufactured products    | 73,076                   | 54,513         | 26,604         | 23,880         | 99,680         | 78,393         |
| Revenue from services                         | 67                       | 423            | 1,325          | 392            | 1,392          | 815            |
| External revenues                             | 73,143                   | 54,936         | 27,929         | 24,272         | 101,072        | 79,208         |
| Inter-segment revenues                        | 3,916                    | 3,098          | 3,621          | 1,788          | 7,537          | 4,886          |
| Segment revenue                               | 77,059                   | 58,034         | 31,550         | 26,060         | 108,609        | 84,094         |
| Segment EBITDA <sup>1</sup>                   | 28,538                   | 22,724         | 7,384          | 6,158          | 35,922         | 28,882         |
| Depreciation and amortisation                 | (5,776)                  | (4,391)        | (1,449)        | (1,348)        | (7,225)        | (5,739)        |
| Segment profit/(loss) before interest and tax | 22,762                   | 18,333         | 5,935          | 4,810          | 28,697         | 23,143         |
| Capital expenditure                           | 3,003                    | 9,350          | 2,020          | 1,015          | 5,023          | 10,365         |

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

|  | 2022<br>\$'000 | 2021<br>\$'000 |
|--|----------------|----------------|
| <b>Reconciliation of reportable segment profit or loss</b> |                |                |
| <b>Revenues</b>  |                |                |
| Total revenue for reportable segments                      | 108,609        | 84,094         |
| Elimination of inter-segment revenue                       | (7,537)        | (4,886)        |
| Consolidated revenue                                       | 101,072        | 79,208         |
| <b>Profit before tax</b>                                   |                |                |
| Profit before tax for reportable segments                  | 28,697         | 23,143         |
| Elimination of inter-segment loss/(profit)                 | (175)          | 81             |
| Net finance (costs)/income                                 | (30)           | (677)          |
| Consolidated profit before tax                             | 28,492         | 22,547         |

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## SECTION B BUSINESS PERFORMANCE (continued)

### Major Customers

3 customers in the PWR Performance Products segment comprise 15% of Group's revenue for the year ended 30 June 2022 (2021 – 3 customers comprised 19%).

### 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.

Below is an analysis of the Group's revenue based on the location of the Group's customers and location of the Group's non-current assets.

|                 | 2022              |  | 2021              |  |
|-----------------|-------------------|--|-------------------|--|
|                 | Revenue<br>\$'000 | Non-current<br>assets <sup>(i)</sup><br>\$'000 | Revenue<br>\$'000 | Non-current<br>assets <sup>(i)</sup><br>\$'000 |
| Australia       | 11,438            | 35,174   | 10,114            | 37,964   |
| USA             | 26,067            | 11,295   | 22,199            | 9,957  |
| UK              | 32,513            | 1,152  | 25,257            | 1,274  |
| Italy           | 11,867            | -  | 11,185            | -  |
| Germany         | 5,901             | -  | 3,271             | -  |
| Other Countries | 13,286            | -  | 7,182             | -  |
|                 | <b>101,072</b>    | <b>47,621</b>                                  | <b>79,208</b>     | <b>49,195</b>                                  |

(i) Excluding deferred tax assets.

### B2 Revenue and other income

|  | Note | 2022<br>\$'000 | 2021<br>\$'000 |
|--|------|----------------|----------------|
| <b>Revenue from contracts with customers</b> |      |                |                |
| Sales of goods                               |      | 99,680         | 78,393         |
| Rendering of services                        |      | 1,392          | 815            |
|  |      | <b>101,072</b> | <b>79,208</b>  |
| <b>Other income</b>                          |      |                |                |
| R&D tax incentive                            |      | 1,540          | 732            |
| Profit / (Loss) on sale of assets            |      | (20)           | (22)           |
| Government grants – COVID-19 assistance      | B3   | 70             | 1,980          |
| Government grants – incentive assistance     |      | -              | 70             |
|  |      | <b>1,590</b>   | <b>2,760</b>   |

## Financial Statements

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## SECTION B BUSINESS PERFORMANCE (continued)

### Customer Revenue by Market Sector

|                                    |                |        |
|------------------------------------|----------------|--------|
| Motorsports                        | <b>47,476</b>  | 42,813 |
| Automotive Aftermarket             | <b>15,485</b>  | 14,867 |
| Automotive OEM                     | <b>18,007</b>  | 11,732 |
| Emerging Technologies <sup>1</sup> | <b>19,433</b>  | 8,683  |
| Industrial and Other               | <b>671</b>     | 1,113  |
|                                    | <b>101,072</b> | 79,208 |

<sup>1</sup> 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 \$905,000 (2021: \$450,000) in customer revenue from satisfying performance obligation for contract liabilities (refer Note C8).

## B3 Expenses and Income

### Changes in inventories of finished goods and work in progress

The expenses are adjusted for changes in the inventories of finished goods and work in progress as outlined below:

|  | 2022                 |   |                    | 2021                 |   |                    |
|--|----------------------|---|--------------------|----------------------|---|--------------------|
|  | Gross Expense \$'000 | Finished goods and work in progress movement \$'000 | Net expense \$'000 | Gross Expense \$'000 | Finished goods and work in progress movement \$'000 | Net expense \$'000 |
| Raw materials and consumables expenses | (21,247)             | 396   | (20,851)           | (17,779)             | (234)   | (18,013)           |
| Employee expenses                      | (39,446)             | 549   | (38,897)           | (30,932)             | -   | (30,932)           |
|  | (60,693)             | 945   | (59,748)           | (48,711)             | (234)   | (48,945)           |

### COVID-19 Assistance

During the year, the Group received Government assistance for COVID-19 in Australia through the JobMaker programme and the United States Paycheck Protection Program.

|                             | 2022 \$'000 | 2021 \$'000 |
|-----------------------------|-------------|-------------|
| JobKeeper assistance        | -           | 1,980       |
| JobMaker assistance         | 38          | -           |
| Paycheck Protection Program | 32          | -           |
| Total before tax assistance | 70          | 1,980       |

### Research and Development

The Group recognised \$9,777,059 (2021: \$8,515,807) as an expense in relation to its research and development activities. This is included in employee expenses, raw materials, consumables and other expenses in the income statement.



# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## B4 Finance income and finance costs

|                                   | 2022<br>\$'000 | 2021<br>\$'000 |
|-----------------------------------|----------------|----------------|
| Interest income                   | 20             | 24             |
| Gain/(loss) on derivatives        | 152            | -              |
| <b>Finance income</b>             | <b>172</b>     | <b>24</b>      |
| Interest expense                  | (202)          | (340)          |
| Gain/(loss) on derivatives        | -              | (361)          |
| <b>Finance costs</b>              | <b>(202)</b>   | <b>(701)</b>   |
| <b>Net finance income/(costs)</b> | <b>(30)</b>    | <b>(677)</b>   |

## B5 Earnings per share

|                                       | 2022<br>\$'000 | 2021<br>\$'000 |
|---------------------------------------|----------------|----------------|
| Profit attributable to equity holders | 20,843         | 16,797         |

| <b>Weighted average number of ordinary shares</b>     | <b>Note</b> | <b>2022</b> | <b>2021</b> |
|---|-------------|-------------|-------------|
| Issued ordinary shares at 1 July                      |             | 100,179,774 | 100,087,694 |
| Effect of shares issued during the year               | F3          | 76,771      | 76,230      |
| Weighted average number of ordinary shares at 30 June |             | 100,256,545 | 100,163,924 |
| Basic and diluted earnings per share                  |             | 20.79 cents | 16.77 cents |

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.

## Financial Statements

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

### SECTION C OPERATING ASSETS AND LIABILITIES

#### C1 Cash and cash equivalents

|  | 2022<br>\$'000 | 2021<br>\$'000 |
|--|----------------|----------------|
| Bank balances  | 16,499         | 19,857         |
| Environmental, Social and Governance Term Deposit        | 5,000          | -              |
| Cash and cash equivalents in the statement of cash flows | 21,499         | 19,857         |

#### Reconciliation of cash flows from operating activities

##### Cash flows from operating activities

|  |         |         |
|--|---------|---------|
| Profit for the year                                    | 20,843  | 16,797  |
| Adjustments for:                                       |         |         |
| Depreciation and amortisation                          | 7,225   | 5,739   |
| Research & development tax credit                      | (1,540) | (732)   |
| (Gain)/loss on derivatives                             | (225)   | 563     |
| Share based remuneration                               | 489     | 255     |
| (Profit)/Loss on sale of property, plant and equipment | 20      | 22      |
| Changes in:  |         |         |
| Trade and other receivables                            | (4,472) | (2,409) |
| Inventories  | (6,257) | 39      |
| Trade and other payables                               | 2,199   | 563     |
| Other assets   | (1,201) | 1,266   |
| Employee benefits                                      | 740     | 621     |
| Other  | (2,563) | 1,266   |
| Tax balances   | 1,783   | (115)   |
| Net cash from operating activities                     | 17,041  | 26,409  |

#### C2 Trade and other receivables

|  |        |       |
|--|--------|-------|
| Trade receivables  | 13,813 | 9,335 |
| Trade receivables due from related parties (refer Note H2) | -      | 6     |
|  | 13,813 | 9,341 |

Provisioning for trade receivables has been assessed considering known factors consistent with prior reporting periods, resulting in a bad debt provision of \$133,370 (2021: nil).

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## SECTION C OPERATING ASSETS AND LIABILITIES (continued)

### C3 Inventories

|                                      | 2022<br>\$'000 | 2021<br>\$'000 |
|--------------------------------------|----------------|----------------|
| Raw materials                        | 6,039          | 3,062          |
| Work in progress                     | 1,050          | 672            |
| Finished goods                       | 6,533          | 3,626          |
| Consumables                          | 137            | 115            |
| Allowance for inventory obsolescence | (1,013)        | (986)          |
|                                      | <b>12,746</b>  | <b>6,489</b>   |

The cost of inventories sold and recognised as an expense during the year end 30 June 2022 was \$20,850,798 (2021: \$18,012,544).

### C4 Other assets

|              |              |              |
|--------------|--------------|--------------|
| Prepayments  | 2,125        | 829          |
| Other assets | 722          | 817          |
|              | <b>2,847</b> | <b>1,646</b> |

### C5 Property, plant and equipment

|                               |               |               |
|-------------------------------|---------------|---------------|
| Plant and equipment – at cost | 46,377        | 42,188        |
| Accumulated depreciation      | (20,766)      | (16,362)      |
|                               | <b>25,611</b> | <b>25,826</b> |
| Motor vehicles – at cost      | 385           | 377           |
| Accumulated depreciation      | (340)         | (313)         |
|                               | <b>45</b>     | <b>64</b>     |
| Land and buildings – at cost  | 11,689        | 11,590        |
| Accumulated amortisation      | (5,564)       | (3,674)       |
|                               | <b>6,125</b>  | <b>7,916</b>  |
| Under construction            | 813           | 474           |
|                               | <b>32,594</b> | <b>34,280</b> |

## Financial Statements

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

### SECTION C OPERATING ASSETS AND LIABILITIES (continued)

#### Reconciliations

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

|                                       | Land and buildings<br>\$'000 | Plant and equipment<br>\$'000 | Motor vehicles<br>\$'000 | Under construction<br>\$'000 | Total<br>\$'000 |
|---------------------------------------|------------------------------|-------------------------------|--------------------------|------------------------------|-----------------|
| <b>2022</b>                           |                              |                               |                          |                              |                 |
| <b>Cost</b>                           |                              |                               |                          |                              |                 |
| Opening balance                       | 11,590                       | 42,188                        | 377                      | 474                          | 54,629          |
| Additions                             | -                            | 82                            | -                        | 4,941                        | 5,023           |
| Transfers                             | -                            | 4,634                         | -                        | (4,634)                      | -               |
| Disposals                             | -                            | (1,383)                       | -                        | -                            | (1,383)         |
| Effect of movements in exchange rates | 99                           | 856                           | 8                        | 32                           | 995             |
| Closing balance                       | 11,689                       | 46,377                        | 385                      | 813                          | 59,264          |
| <b>Accumulated depreciation</b>       |                              |                               |                          |                              |                 |
| Opening balance                       | 3,674                        | 16,362                        | 313                      | -                            | 20,349          |
| Disposals                             | -                            | (1,287)                       | -                        | -                            | (1,287)         |
| Depreciation                          | 1,890                        | 5,317                         | 18                       | -                            | 7,225           |
| Effect of movements in exchange rates | -                            | 374                           | 9                        | -                            | 383             |
| Closing balance                       | 5,564                        | 20,766                        | 340                      | -                            | 26,670          |
| Net carrying amount                   | 6,125                        | 25,611                        | 45                       | 813                          | 32,594          |
| <b>2021</b>                           |                              |                               |                          |                              |                 |
| <b>Cost</b>                           |                              |                               |                          |                              |                 |
| 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          |
| <b>Accumulated depreciation</b>       |                              |                               |                          |                              |                 |
| 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          |

The land and buildings balances comprise right-of-use assets with carrying value of \$6,124,583 (2021: \$7,915,607).

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## SECTION C OPERATING ASSETS AND LIABILITIES (continued)

### Right-of-use assets

The Group leases its office and factory facilities where leases typically run for between 5 years and 10 years. The property leases include extension options exercisable by the Group between 3 and 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.

Right-of-use assets relate to leased properties that do not meet the definition of investment property and are presented as property, plant and equipment and included in land and buildings.

| <b>2022</b>                           | <b>Land and Buildings<br/>\$'000</b> |
|---------------------------------------|--------------------------------------|
| <b>Right of Use Lease Assets:</b>     |                                      |
| Balance at beginning of year          | 7,916                                |
| Additions to right-of-use assets      | -                                    |
| Amortisation charge for the year      | (1,890)                              |
| Effect of movements in exchange rates | 99                                   |
| Balance at end of year                | 6,125                                |

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

| <b>Amounts recognised in Profit or Loss</b> | <b>2022<br/>\$'000</b> | <b>2021<br/>\$'000</b> |
|---|------------------------|------------------------|
| Deemed interest charge for the year         | 193                    | 229                    |
| Amortisation charge for the year            | 1,890                  | 1,850                  |
| Expenses relating to short term leases      | 12                     | 8                      |
|   | <b>2,095</b>           | <b>2,087</b>           |



## Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

### SECTION C OPERATING ASSETS AND LIABILITIES (continued)

#### C6 Intangible assets

|                                       | Goodwill<br>\$'000 | Trademarks<br>\$'000 | Total<br>\$'000 |
|---------------------------------------|--------------------|----------------------|-----------------|
| <b>2022</b>                           |                    |                      |                 |
| Cost                                  | 4,042              | 10,985               | 15,027          |
| Accumulated amortisation              | -                  | -                    | -               |
|                                       | <b>4,042</b>       | <b>10,985</b>        | <b>15,027</b>   |
| <b>2021</b>                           |                    |                      |                 |
| Cost                                  | 3,930              | 10,985               | 14,915          |
| Accumulated amortisation              | -                  | -                    | -               |
|                                       | <b>3,930</b>       | <b>10,985</b>        | <b>14,915</b>   |
| <b>Reconciliations</b>                |                    |                      |                 |
| <b>2022</b>                           |                    |                      |                 |
| Carrying amount at beginning of year  | 3,930              | 10,985               | 14,915          |
| Effect of movements in exchange rates | 112                | -                    | 112             |
| Balance at the end of the year        | <b>4,042</b>       | <b>10,985</b>        | <b>15,027</b>   |
| <b>2021</b>                           |                    |                      |                 |
| 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        | <b>3,930</b>       | <b>10,985</b>        | <b>14,915</b>   |

#### Impairment

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

|            | PWR Performance Products |                | PWR C&R        |                |
|------------|--------------------------|----------------|----------------|----------------|
|            | 2022<br>\$'000           | 2021<br>\$'000 | 2022<br>\$'000 | 2021<br>\$'000 |
| Goodwill   | 2,111                    | 2,122          | 1,931          | 1,808          |
| Trademarks | 8,432                    | 8,432          | 2,553          | 2,553          |
|            | <b>10,543</b>            | 10,554         | <b>4,484</b>   | 4,361          |

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 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 5 year period and include a terminal value at the end of year 5. The cash flow projections over the 5 year period are based on the Group's budget for 2023 and growth over the forecast periods based on the Group's business plans and management's assessment of the impacts of underlying economic conditions, past performance and other factors on each CGU's financial performance.

The cashflow projections for each CGU include management's estimates of the expected growth from the Group's involvement in OEM programs as a cooling assembly supplier, growth in aerospace and defence, 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.

Management have considered sensitivities to the recoverable amount. No reasonable possible change in the assumptions would result in an impairment of the assets in either CGU.

Key assumptions used in the estimation of value in use over the 5 year period including the terminal value were:

|                                       | 2022<br>% | 2021<br>% |
|---------------------------------------|-----------|-----------|
| <b>PWR Performance Products</b>       |           |           |
| Discount rate – pre tax               | 12.2%     | 12.0%     |
| Terminal value growth rate            | 2.0%      | 2.0%      |
| Revenue – compound annual growth rate | 5.0%      | 4.4%      |
| Average EBITDA margin                 | 32.2%     | 37.4%     |
| <b>PWR C&amp;R</b>                    |           |           |
| Discount rate – pre tax               | 10.4%     | 11.6%     |
| Terminal value growth rate            | 2.0%      | 2.0%      |
| Revenue – compound annual growth rate | 10.0%     | 8.1%      |
| Average EBITDA margin                 | 18.4%     | 15.8%     |

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

### SECTION C OPERATING ASSETS AND LIABILITIES (continued)

#### C7 Trade and other payables

Trade and other payables are carried at amortised cost.

|                | 2022<br>\$'000 | 2021<br>\$'000 |
|----------------|----------------|----------------|
| Trade payables | 2,885          | 1,335          |
| Other payables | 4,647          | 3,998          |
|                | 7,532          | 5,333          |

#### 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 in 2022 was \$905,000 (2021: \$450,000).

|                         | 2022<br>\$'000 | 2021<br>\$'000 |
|-------------------------|----------------|----------------|
| Less than one year      | 907            | 901            |
| Between one and 2 years | 440            | 901            |
| Between 2 and 5 years   | -              | 450            |
| Balance at end of year  | 1,347          | 2,252          |

### SECTION D EMPLOYEE BENEFITS

#### D1 Employee benefits

|                              | 2022<br>\$'000 | 2021<br>\$'000 |
|------------------------------|----------------|----------------|
| <b>Current</b>               |                |                |
| Annual leave liability       | 2,478          | 1,979          |
| Long service leave liability | 846            | 647            |
|                              | 3,324          | 2,626          |
| <b>Non-current</b>           |                |                |
| Long service leave liability | 348            | 306            |

During the year ended 30 June 2022, the Group contributed \$2,029,863 (2021: \$1,432,382) 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:

|                              | 2022<br>\$'000 | 2021<br>\$'000 |
|------------------------------|----------------|----------------|
| Short-term employee benefits | 1,996          | 1,606          |
| Termination benefits         | -              | 98             |
| Post-employment benefits     | 100            | 130            |
| Share based payments         | 154            | 109            |
| Other long-term benefits     | 21             | 37             |
|                              | 2,271          | 1,980          |

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 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 during FY2022 is from 1 July 2021 to 30 June 2024.

Performance rights issued to key management personnel (KMP) and non-key management personnel (Non KMP) during the year are 50% subject to the EPS performance hurdle and 50% subject to the TSR performance hurdle. At 30 June 2022, all of these performance rights remain on issue.

The EPS performance hurdle for the performance rights issued after 30 June 2020 is based on the compound annual growth rate in EPS. The EPS performance hurdle for performance rights issued prior to 30 June 2020 is based on the 3 year growth in EPS. At 30 June 2022, there were 84,294 performance rights that had been issued in prior years that are subject to the 3 year growth in EPS performance hurdle.

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 \$488,566 (2021: \$400,899) was recognised during the year and included in "employee expenses" in the statement of profit or loss and other comprehensive income.

### Measurement of fair values

The fair value of the TSR component of the performance rights has been measured using a Monte Carlo simulation. The fair value of the EPS component of the performance rights has been measured using the Black Scholes formula. The inputs used in the measurement of the fair values at grant date of the equity-settled share-based payments were as follows:

|                           | 2022          |               | 2021          |               |
|---------------------------|---------------|---------------|---------------|---------------|
|                           | TSR component | EPS component | TSR component | EPS component |
| Fair value at grant date  | \$8.15        | \$9.31        | \$4.33        | \$6.00        |
| Share price at grant date | \$8.49        | \$8.49        | \$6.24        | \$6.24        |
| Exercise price            | Nil           | Nil           | Nil           | Nil           |
| Expected volatility       | 40%           | N/A           | 36%           | N/A           |
| Risk free rate            | 0.98%         | N/A           | 0.35%         | N/A           |
| Expected life             | 2.84 Years    | 2.84 Years    | 3 Years       | 3 Years       |
| Expected dividends        | 1.32%         | 1.32%         | 1.77%         | 1.77%         |

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

## Financial Statements

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

### SECTION D EMPLOYEE BENEFITS (continued)

#### Reconciliation of the number of outstanding performance rights

|                                   | 2022     |          |           | 2021     |          |           |
|-----------------------------------|----------|----------|-----------|----------|----------|-----------|
|                                   | KMP      | Non KMP  | Total     | KMP      | Non KMP  | Total     |
| Opening outstanding balance       | 82,259   | 225,493  | 307,752   | 171,536  | 175,770  | 347,306   |
| Granted during the year           | 32,878   | 48,980   | 81,858    | 27,599   | 79,587   | 107,186   |
| Exercised during the year         | (31,417) | (84,855) | (116,272) | (93,633) | (29,864) | (123,497) |
| Forfeited during the year         | -        | -        | -         | (23,243) | -        | (23,243)  |
| Closing outstanding balance       | 83,720   | 189,618  | 273,338   | 82,259   | 225,493  | 307,752   |
| Vested and exercisable at 30 June | -        | -        | -         | -        | -        | -         |

#### Reconciliation of share based payment reserve

|                               | 2022<br>\$'000 | 2021<br>\$'000 |
|-------------------------------|----------------|----------------|
| Opening balance               | 627            | 524            |
| Employee expenses             | 489            | 401            |
| Shares issued during the year | (261)          | (298)          |
| Closing balance               | 855            | 627            |

### SECTION E TAXATION

#### E1 Income tax expense

|  | 2022<br>\$'000 | 2021<br>\$'000 |
|--|----------------|----------------|
| <b>Current tax expense</b>   |                |                |
| Current period   | 6,398          | 5,921          |
| (Over)/under provision in prior period                                     | (23)           | (536)          |
|  | 6,375          | 5,385          |
| <b>Deferred tax expense</b>  |                |                |
| Origination and reversal of temporary differences                          | 1,274          | 365            |
| Total income tax expense   | 7,649          | 5,750          |
| Numerical reconciliation between tax expense and pre-tax accounting profit |                |                |
| Profit for the period  | 20,843         | 16,797         |
| Total income tax expense   | 7,649          | 5,750          |
| Profit excluding income tax  | 28,492         | 22,547         |
| Income tax using the Company's domestic tax rate of 30%                    | 8,548          | 6,764          |
| Tax effect of R&D benefit  | (462)          | (217)          |
| Effect of tax rates in foreign jurisdictions                               | (511)          | (392)          |
| Over provision of tax on Pay Check Program in prior period                 | -              | (460)          |
| Other  | 74             | 55             |
|  | 7,649          | 5,750          |

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## SECTION E TAXATION (continued)

### E2 Tax assets and liabilities

#### Current tax assets and liabilities

The current tax liability of \$218,140 (2021: \$2,000,811) represents the amount of income tax payable in respect of current and prior periods to the relevant tax authority.

|                               | Net balance<br>at 1 July<br>\$'000 | Recognised in<br>profit or loss<br>\$'000 | Recognised<br>through<br>Equity<br>\$'000 | Net<br>\$'000 | Deferred tax<br>assets<br>\$'000 | Deferred tax<br>liabilities<br>\$'000 |
|-------------------------------|------------------------------------|---|---|---------------|----------------------------------|---------------------------------------|
| <b>2022</b>                   |                                    |   |   |               |                                  |                                       |
| Property, plant and equipment | (2,136)                            | (363)                                     | -   | (2,499)       | -                                | (2,499)                               |
| Intangible assets             | (766)                              | -   | -   | (766)         | -                                | (766)                                 |
| Employee benefits             | 997                                | 275                                       | -   | 1,272         | 1,272                            | -                                     |
| Accruals                      | 52                                 | (4)                                       | -   | 48            | 48                               | -                                     |
| Inventories                   | 372                                | 209                                       | -   | 581           | 680                              | (99)                                  |
| Unrealised foreign exchange   | (42)                               | (15)                                      | (163)                                     | (220)         | -                                | (220)                                 |
| Tax losses                    | 1,364                              | (972)                                     | -   | 392           | 392                              | -                                     |
| Other items                   | 929                                | (404)                                     | -   | 525           | 1,058                            | (533)                                 |
| Net tax assets/(liabilities)  | 770                                | (1,274)                                   | (163)                                     | (667)         | 3,450                            | (4,117)                               |
| <b>2021</b>                   |                                    |   |   |               |                                  |                                       |
| 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                            | -                                     |
| Other items                   | 6                                  | 923                                       | -   | 929           | 1,337                            | (408)                                 |
| Net tax assets/(liabilities)  | 876                                | (365)                                     | 259                                       | 770           | 4,241                            | (3,471)                               |

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 2022

### SECTION F CAPITAL STRUCTURE AND BORROWINGS

#### F1 Lease liabilities

|                       | 2022<br>\$'000 | 2021<br>\$'000 |
|-----------------------|----------------|----------------|
| <b>Current</b>        |                |                |
| Lease liability       | 1,903          | 1,789          |
|                       | 1,903          | 1,789          |
| <b>Non-current</b>    |                |                |
| Lease liability       | 4,839          | 6,667          |
|                       | 4,839          | 6,667          |
| Total lease liability | 6,742          | 8,456          |

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

|   | 2021<br>Opening<br>Carrying<br>Value<br>\$'000 | Cash<br>flows<br>\$'000 | Non-cash changes                           |   |                                     | 2022<br>Closing<br>Carrying<br>Value<br>\$'000 |
|---|--|-------------------------|--|---|-------------------------------------|--|
|   |  |                         | Foreign<br>exchange<br>movements<br>\$'000 | Deemed<br>Interest<br>movements<br>\$'000 | Right-of-use<br>movements<br>\$'000 |  |
| Lease liabilities                           | 8,456  | (2,016)                 | 109  | 193                                       | -                                   | 6,742  |
| Total liabilities from financing facilities | 8,456  | (2,016)                 | 109  | 193                                       | -                                   | 6,742  |

|   | 2020<br>Opening<br>Carrying<br>Value<br>\$'000 | Cash<br>flows<br>\$'000 | Non-cash changes                           |   |                                     | 2021<br>Closing<br>Carrying<br>Value<br>\$'000 |
|---|--|-------------------------|--|---|-------------------------------------|--|
|   |  |                         | Foreign<br>exchange<br>movements<br>\$'000 | Deemed<br>Interest<br>movements<br>\$'000 | Right-of-use<br>movements<br>\$'000 |  |
| Long term borrowings (GBP)                  | 3,585  | (3,585)                 | -  | -   | -                                   | -  |
| Long term borrowings (AUD)                  | 5,000  | (5,000)                 | -  | -   | -                                   | -  |
| Lease liabilities                           | 9,213  | (1,819)                 | (220)                                      | 229                                       | 1,053                               | 8,456  |
| Total liabilities from financing facilities | 17,798   | (10,404)                | (220)                                      | 229                                       | 1,053                               | 8,456  |

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## SECTION F CAPITAL STRUCTURE AND BORROWINGS (continued)

### Finance facilities

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

| Facility                | Currency | Nominal interest rate | Maturity | 2022                  |                        | 2021                  |                        |
|-------------------------|----------|-----------------------|----------|-----------------------|------------------------|-----------------------|------------------------|
|                         |          |                       |          | Facility limit \$'000 | Carrying amount \$'000 | Facility limit \$'000 | Carrying amount \$'000 |
| Corporate credit card   | AUD      | Variable              | 2023     | 100                   | -                      | 100                   | -                      |
| Corporate credit card   | USD      | Variable              | -        | 100                   | -                      | 100                   | -                      |
| Finance lease           | AUD      | Variable              | 2023     | 7,500                 | -                      | 7,500                 | -                      |
| Multi-currency facility | AUD      | Variable              | 2023     | 10,000                | -                      | 10,000                | -                      |

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

### F2 Deferred income

|                         | Note | 2022 \$'000 | 2021 \$'000 |
|-------------------------|------|-------------|-------------|
| Less than one year      |      | 469         | 443         |
| Between one and 5 years |      | 1,219       | 1,746       |
| Balance at end of year  | 115  | 1,688       | 2,189       |

### Government grants

Government grants received by the Group for the purchase of equipment have been recognised as deferred income, with the deferred income amortised over the useful life of the equipment in relation to which the grant was provided.

### F3 Capital and reserves

| Share capital   | 2022          |        | 2021          |        |
|---|---------------|--------|---------------|--------|
|   | No. of shares | \$'000 | No. of shares | \$'000 |
| <b>Ordinary shares</b>                                |               |        |               |        |
| Balance at beginning of year                          | 100,179,774   | 26,223 | 100,087,694   | 26,071 |
| Issue of shares on vesting of FY18 performance rights | -             | -      | 92,080        | 152    |
| Issue of shares on vesting of FY19 performance rights | 116,272       | 261    | -             | -      |
| Balance at end of year                                | 100,296,046   | 26,484 | 100,179,774   | 26,223 |

### 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.

## Financial Statements

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## SECTION F CAPITAL STRUCTURE AND BORROWINGS (continued)

### F4 Dividends

Dividends recognised by the Company are:

|                       | Cents<br>per share<br>\$ | Total<br>amount<br>\$'000 | Franked/<br>unfranked | Date of<br>payment   |
|-----------------------|--------------------------|---------------------------|-----------------------|----------------------|
| <b>2022</b>           |                          |                           |                       |                      |
| Interim 2022 ordinary | 3.50                     | 3,510                     | Franked               | 25 March 2022        |
| Final 2021 ordinary   | 6.00                     | 6,011                     | Franked               | 24 September<br>2021 |
| Total amount          |                          | 9,521                     |                       |                      |
| <b>2021</b>           |                          |                           |                       |                      |
| Interim 2021 ordinary | 2.80                     | 2,805                     | Franked               | 26 March 2021        |
| Final 2020 ordinary   | 4.00                     | 4,007                     | Franked               | 25 September<br>2020 |
| Total amount          |                          | 6,812                     |                       |                      |

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

### Dividend franking accounts

The 30 percent franking credits by Group entity:

|   | 2022<br>\$'000 | 2021<br>\$'000 |
|---|----------------|----------------|
| PWR Holdings Limited                        | 1,155          | 943            |
| PWR IP Pty Ltd                              | 845            | 1,126          |
| P.W.R Performance Products Pty Ltd          | 3,132          | 2,116          |
| Total franking credits available at 30 June | 5,132          | 4,185          |

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.

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

|                              | Cents<br>per share | Total<br>amount<br>\$'000 | Date of<br>payment |
|------------------------------|--------------------|---------------------------|--------------------|
| Final 2022 ordinary dividend | 8.50               | 8,525                     | 23 September 2022  |
| Total amount                 |                    | 8,525                     |                    |

The financial effect of these dividends has not been brought to account in the consolidated financial statements for the year end 30 June 2022 and will be recognised in subsequent financial reports.

### F5 Commitments

At 30 June 2022, the Group had agreed to purchase plant and equipment for \$5.0 million (2021: \$3.3 million) within 12 months.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## SECTION G GROUP STRUCTURE

### G1 Parent entity information

As at and throughout the financial year ended 30 June 2022, the parent and ultimate parent entity of the Group was PWR Holdings Limited.

| <b>Statement of profit or loss and other comprehensive income</b> | <b>2022<br/>\$'000</b> | <b>2021<br/>\$'000</b> |
|---|------------------------|------------------------|
| Profit/(Loss) after income tax                                    | 9,252                  | 8,188                  |
| <b>Total comprehensive income</b>                                 | <b>9,252</b>           | <b>8,188</b>           |
| <b>Statement of financial position</b>                            |                        |                        |
| Total current assets  | 11                     | 77                     |
| Total non-current assets  | 32,330                 | 31,976                 |
| <b>Total assets</b>   | <b>32,341</b>          | <b>32,053</b>          |
| Total current liabilities   | 189                    | -                      |
| Total non-current liabilities                                     | -                      | -                      |
| <b>Total liabilities</b>  | <b>189</b>             | <b>-</b>               |
| <b>Net assets</b>   | <b>32,152</b>          | <b>32,053</b>          |
| <b>Equity</b>   |                        |                        |
| Issued capital  | 26,484                 | 26,223                 |
| Reserves  | 854                    | 627                    |
| Retained earnings   | 4,814                  | 5,203                  |
| <b>Total equity</b>   | <b>32,152</b>          | <b>32,053</b>          |

### 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 2022 or 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.

### 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.

|                                  | <b>Country of<br/>incorporation</b> | <b>Ownership interest</b> |                   |
|----------------------------------|-------------------------------------|---------------------------|-------------------|
|                                  |                                     | <b>2022<br/>%</b>         | <b>2021<br/>%</b> |
| PWR Performance Products Pty Ltd | Australia                           | 100                       | 100               |
| PWR IP Pty Ltd                   | Australia                           | 100                       | 100               |
| PWR Europe Limited               | UK                                  | 100                       | 100               |
| C&R Racing Inc                   | USA                                 | 100                       | 100               |
| PWR EU B.V.                      | Netherlands                         | 100                       | 100               |

## Financial Statements

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

### SECTION G GROUP STRUCTURE (continued)

#### G3 Deed of cross guarantee

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

It is a condition of the Instrument that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor, payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the *Corporations Act 2001*. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after 6 months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The subsidiaries subject to the Deed are:

PWR Performance Products Pty Ltd

PWR IP Pty Ltd

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

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

| <b>Statement of profit or loss and other comprehensive income</b>       | <b>2022<br/>\$'000</b> | <b>2021<br/>\$'000</b> |
|---|------------------------|------------------------|
| Revenue   | 70,637                 | 52,127                 |
| Other income  | 1,564                  | 2,764                  |
| Raw materials and consumables used                                      | (11,743)               | (8,696)                |
| Employee expenses   | (28,897)               | (22,233)               |
| Occupancy expenses  | (523)                  | (378)                  |
| Other expenses  | (3,916)                | (2,511)                |
| <b>Profit before depreciation, net finance costs and income tax</b>     | <b>27,122</b>          | <b>21,073</b>          |
| Depreciation and amortisation   | (5,628)                | (4,290)                |
| <b>Profit before net finance costs and income tax</b>                   | <b>21,494</b>          | <b>16,783</b>          |
| Finance income  | 1,593                  | 1,580                  |
| Finance costs   | (1,374)                | (1,917)                |
| <b>Net finance income/(costs)</b>                                       | <b>219</b>             | <b>(337)</b>           |
| <b>Profit before income tax</b>   | <b>21,713</b>          | <b>16,446</b>          |
| Income tax expense  | (5,829)                | (4,833)                |
| <b>Profit for the year attributable to equity holders of the parent</b> | <b>15,884</b>          | <b>11,613</b>          |
| Total comprehensive income for the year                                 | 15,884                 | 11,613                 |
| Retained earnings at beginning of year                                  | 29,848                 | 25,060                 |
| Transfers to and from reserves  | (92)                   | (13)                   |
| Dividends recognised during the year                                    | (9,521)                | (6,812)                |
| <b>Retained earnings at end of year</b>                                 | <b>36,119</b>          | <b>29,848</b>          |

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## SECTION G GROUP STRUCTURE (continued)

| <b>Statement of financial position</b> | <b>2022<br/>\$'000</b> | <b>2021<br/>\$'000</b> |
|--|------------------------|------------------------|
| <b>Assets</b>                          |                        |                        |
| <b>Current assets</b>                  |                        |                        |
| Cash and cash equivalents              | 17,481                 | 9,714                  |
| Trade and other receivables            | 2,404                  | 7,684                  |
| Inventories                            | 8,011                  | 4,172                  |
| Other assets                           | 2,443                  | 1,278                  |
| <b>Total current assets</b>            | <b>30,339</b>          | <b>22,848</b>          |
| <b>Non-current assets</b>              |                        |                        |
| Property, plant and equipment          | 23,422                 | 26,213                 |
| Intangible assets                      | 11,751                 | 11,751                 |
| Related party loans                    | 6,535                  | 5,990                  |
| Investments in subsidiaries            | 7,142                  | 7,142                  |
| Deferred tax assets                    | 3,366                  | 3,486                  |
| <b>Total non-current assets</b>        | <b>52,216</b>          | <b>54,582</b>          |
| <b>Total assets</b>                    | <b>82,555</b>          | <b>77,430</b>          |
| <b>Liabilities</b>                     |                        |                        |
| <b>Current liabilities</b>             |                        |                        |
| Trade and other payables               | 3,955                  | 2,503                  |
| Loans and borrowings                   | 1,287                  | 1,209                  |
| Employee benefits                      | 2,914                  | 2,451                  |
| Deferred income                        | 1,342                  | 1,313                  |
| Tax liabilities                        | (348)                  | 1,003                  |
| Provisions                             | 145                    | 124                    |
| <b>Total current liabilities</b>       | <b>9,295</b>           | <b>8,603</b>           |
| <b>Non-current liabilities</b>         |                        |                        |
| Loans and borrowings                   | 2,905                  | 4,282                  |
| Deferred income                        | 1,509                  | 2,930                  |
| Deferred tax liabilities               | 3,785                  | 3,947                  |
| Employee benefits                      | 348                    | 306                    |
| <b>Total non-current liabilities</b>   | <b>8,547</b>           | <b>11,465</b>          |
| <b>Total liabilities</b>               | <b>17,842</b>          | <b>20,068</b>          |
| <b>Net assets</b>                      | <b>64,713</b>          | <b>57,362</b>          |
| <b>Equity</b>                          |                        |                        |
| Issued capital                         | 26,484                 | 26,223                 |
| Reserves                               | 2,110                  | 1,291                  |
| Retained earnings                      | 36,119                 | 29,848                 |
| <b>Total equity</b>                    | <b>64,713</b>          | <b>57,362</b>          |



# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## 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.

|                             | Note | Carrying amount |                |
|-----------------------------|------|-----------------|----------------|
|                             |      | 2022<br>\$'000  | 2021<br>\$'000 |
| Cash and cash equivalents   | C1   | 21,499          | 19,857         |
| Trade and other receivables | C2   | 13,813          | 9,341          |
|                             |      | <b>35,312</b>   | 29,198         |

### Cash and cash equivalents

The Group held cash and cash equivalents of \$21,498,660 at 30 June 2022 (2021: \$19,857,387), 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 2022

## 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 |                |
|-----------|-----------------|----------------|
|           | 2022<br>\$'000  | 2021<br>\$'000 |
| Australia | 1,312           | 2,495          |
| UK        | 7,150           | 5,152          |
| USA       | 5,351           | 1,694          |
|           | 13,813          | 9,341          |

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

|                        |        |       |
|------------------------|--------|-------|
| Not past due           | 9,385  | 8,363 |
| Past due 1-30 days     | 3,658  | 830   |
| Past due 31-60 days    | 714    | 63    |
| Past due > 61 days     | 189    | 85    |
|                        | 13,946 | 9,341 |
| Provision for bad debt | (133)  | -     |
|                        | 13,813 | 9,341 |

Management have assessed the outstanding debtor balances considering known factors including the economic environment and expected credit losses and have taken up a bad debt provision for \$133,370 (2021: nil). 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.

### 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.

## Financial Statements

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

### 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<br>\$'000 | Total<br>\$'000 | Contractual cash flows |                     |
|--------------------------|------|---------------------------|-----------------|------------------------|---------------------|
|                          |      |                           |                 | 12 months<br>\$'000    | 1-5 years<br>\$'000 |
| <b>2022</b>              |      |                           |                 |                        |                     |
| Trade and other payables | C7   | 7,532                     | (7,532)         | (7,532)                | -                   |
| Right of use liabilities | F1   | 6,742                     | (6,871)         | (1,903)                | (4,968)             |
|                          |      | <b>14,274</b>             | <b>(14,403)</b> | <b>(9,435)</b>         | <b>(4,968)</b>      |
| <b>2021</b>              |      |                           |                 |                        |                     |
| Trade and other payables | C7   | 5,333                     | (5,333)         | (5,333)                | -                   |
| Right of use liabilities | F1   | 8,456                     | (8,660)         | (1,789)                | (6,871)             |
|                          |      | <b>13,789</b>             | <b>(13,993)</b> | <b>(7,122)</b>         | <b>(6,871)</b>      |

#### 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 2022, the Group had entered into participating forward contracts to manage its exposure to sales denominated in GBP. These contracts, which settle monthly until 30 September 2022, have a total notional amount of £3.1 million (2021: £3.9 million) and have been accounted for at fair value through the profit and loss. The fair value at year end was a liability of \$8,846 (2021: \$54,240 liability).

During the year ended 30 June 2022, the Group recognised \$73,679 in realised losses (2021: \$202,892 gain) and \$225,444 in unrealised gains on derivatives (2021: \$563,280 loss). This has been included in finance income or costs in the income statement.

#### Exposure to currency risk

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

|   | Note | 30 June 2022  |              |               | 30 June 2021  |              |               |
|---|------|---------------|--------------|---------------|---------------|--------------|---------------|
|   |      | AUD<br>\$'000 | GBP<br>£'000 | USD<br>\$'000 | AUD<br>\$'000 | GBP<br>£'000 | USD<br>\$'000 |
| Trade receivables                               | C2   | 1,592         | 3,847        | 3,838         | 2,574         | 2,722        | 1,302         |
| Trade payables                                  | C7   | (1,099)       | (311)        | (794)         | (625)         | (254)        | (419)         |
| Net statement of financial position exposure    |      | <b>493</b>    | <b>3,536</b> | <b>3,044</b>  | <b>1,949</b>  | <b>2,468</b> | <b>883</b>    |
| Notional amount of foreign currency derivatives |      | -             | <b>3,100</b> | -             | -             | 3,900        | -             |

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## SECTION H OTHER INFORMATION (continued)

### Sensitivity analysis

At 30 June, exchange rates used to translate the above were 0.5676 to the GBP and 0.6886 to the USD (2021: 0.5426 to the GBP and 0.7512 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 2021, using consistent foreign exchange rate variances, as indicated below.

|                     | Profit or loss (net of tax) |                     | Equity (net of tax)     |                     |
|---------------------|-----------------------------|---------------------|-------------------------|---------------------|
|                     | Strengthening<br>\$'000     | Weakening<br>\$'000 | Strengthening<br>\$'000 | Weakening<br>\$'000 |
| <b>30 June 2022</b> |                             |                     |                         |                     |
| GBP (10% movement)  | (436)                       | 396                 | (436)                   | 396                 |
| USD (10% movement)  | (309)                       | 281                 | (309)                   | 281                 |
| <b>30 June 2021</b> |                             |                     |                         |                     |
| GBP (10% movement)  | (318)                       | 289                 | (318)                   | 289                 |
| USD (10% movement)  | (82)                        | 75                  | (82)                    | 75                  |

### Interest rate risk

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

|                                  |    | Nominal amount |                |
|----------------------------------|----|----------------|----------------|
|                                  |    | 2022<br>\$'000 | 2021<br>\$'000 |
| <b>Fixed rate instruments</b>    |    |                |                |
| Financial assets                 | C1 | 5,000          | -              |
| Financial liabilities            | F1 | -              | -              |
|                                  |    | 5,000          | -              |
| <b>Variable rate instruments</b> |    |                |                |
| Financial assets                 | C1 | 16,499         | 19,857         |
| Financial liabilities            | F1 | -              | -              |
|                                  |    | 16,499         | 19,857         |

## Financial Statements

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## SECTION H OTHER INFORMATION (continued)

### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the beginning 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 |
| <b>30 June 2022</b>         |                             |                       |                       |                       |
| Variable rate instruments   | 150                         | (150)                 | 150                   | (150)                 |
| Cash flow sensitivity (net) | 150                         | (150)                 | 150                   | (150)                 |
| <b>30 June 2021</b>         |                             |                       |                       |                       |
| Variable rate instruments   | 139                         | (139)                 | 139                   | (139)                 |
| Cash flow sensitivity (net) | 139                         | (139)                 | 139                   | (139)                 |

### Fair values

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

## H2 Related party information

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

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

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

| Entity  | Transaction        | Transaction values during the year |             | Balance outstanding Receivable/(Payable) |             |
|---|--------------------|------------------------------------|-------------|--|-------------|
|   |                    | 2022 \$'000                        | 2021 \$'000 | 2022 \$'000                              | 2021 \$'000 |
| Bayswater Road Radiators Pty Ltd <sup>(i)</sup>       | Sales of goods     | N/A                                | 51          | N/A                                      | 6           |
| Triple Eight Race Engineering Pty Ltd <sup>(ii)</sup> | Sales of goods     | 81                                 | 5           | -  | -           |
| Triple Eight Race Engineering Pty Ltd <sup>(ii)</sup> | Purchases of goods | (20)                               | -           | -  | -           |

(i) Bayswater Road Radiators Pty Ltd is no longer an entity associated with Kees Weel, which purchased goods from the Group.

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

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## SECTION H OTHER INFORMATION (continued)

### H3 Auditor Remuneration

|   | 2022<br>\$ | 2021<br>\$ |
|---|------------|------------|
| <b>Audit services</b>   |            |            |
| Auditors of the Group – KPMG  |            |            |
| <i>Audit and review of financial statements</i>                       | 158,900    | 143,500    |
| <i>Accountability GB</i>  |            |            |
| <i>Audit and review of financial statements – controlled entities</i> | 19,828     | 15,837     |
| <b>Other services</b>   |            |            |
| Auditors of the Group – KPMG  |            |            |
| IT Advisory services  | -          | 21,450     |

### H4 Subsequent events

The Board declared a fully franked final ordinary dividend of 8.50 cents per share. The financial effect of the 2022 declared final dividend has not been brought to account in the consolidated financial statements for the year ended 30 June 2022.

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

### H5 New accounting standards

#### 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 2021. A number of other new standards are effective from 1 July 2021 but they did not have a material effect on the Group's financial statements.

#### New Standards and Interpretations Not Yet Adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2022 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.



# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## SECTION I SIGNIFICANT ACCOUNTING POLICIES

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

### 1 Basis of consolidation

#### *Subsidiaries*

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

#### *Transactions eliminated on consolidation*

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

### 2 Foreign currency

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

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

Foreign currency differences are generally recognised in profit or loss.

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

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

### 3 Revenue

#### *Sale of goods*

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

#### *Rendering of services*

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

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## SECTION I SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4 Employee benefits

#### *Short-term employee benefits*

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

#### *Long-term employee benefits*

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

#### *Share based payment transactions*

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

#### *Termination benefits*

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

#### *Defined contribution funds*

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

### 5 Finance income and finance costs

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

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

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

### 6 Income Tax

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## SECTION I SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

### 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.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## SECTION I SIGNIFICANT ACCOUNTING POLICIES (continued)

The estimated useful lives are as follows:

|                     | 2022        | 2021        |
|---------------------|-------------|-------------|
| Land and buildings  | 10-27 years | 10-27 years |
| 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.

#### *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 1 vote per share at meetings of the Company.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## SECTION I SIGNIFICANT ACCOUNTING POLICIES (continued)

### *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.

## 12 Leases

### *Leased assets*

The Group, as a lessee, assesses whether a contract is or contains a lease. 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. Right of use assets are presented as Property, Plant and Equipment. However, the Group has elected not to recognise right of use assets and 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 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 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 measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

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

## 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.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

## SECTION I SIGNIFICANT ACCOUNTING POLICIES (continued)

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.



## Financial Statements

# Directors' Declaration

For the year ended 30 June 2022

### 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 59 to 95 and the Remuneration report on pages 39 to 58, 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 2022 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 G2 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 2022.
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

18<sup>th</sup> August 2022

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

For the year ended 30 June 2022



## 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 2022 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 2022;
- 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 these requirements.

#### 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 this matter.

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

For the year ended 30 June 2022



**Valuation of goodwill and intangible assets (\$15.0m)**

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 15% of total assets).</p> <p>The Group uses complex value-in-use 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. Significant forward looking assumptions applied in their value in use models include forecast revenue growth, EBIT margin and discount rates applied on net cash flows.</p> <p>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"> <li>• 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.</li> <li>• We, along with our valuation specialists, assessed the integrity of the value in use models used, including the accuracy of the underlying calculation formulas.</li> <li>• We compared the forecast cash flows contained in the value in use models to Board approved budgets and the Group's business plans.</li> <li>• We assessed the accuracy of previous Group budgets to inform our evaluation of forecasts incorporated in the models.</li> <li>• We considered the sensitivity of the models by varying key assumptions, such as forecast revenue growth, EBIT margin 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.</li> <li>• We challenged the Group's significant forecast cash flow and growth rate assumptions including PWR C&amp;R's ability to convert OEM and emerging technology opportunities. We compared forecast growth rates to published analyst reports for comparable companies, and considered differences for the Group's operations. 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.</li> <li>• 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.</li> <li>• We assessed the disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards.</li> </ul> |

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

For the year ended 30 June 2022



## Other Information

Other Information is financial and non-financial information in PWR Holding 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 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](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 2022



## Report on the Remuneration Report

### Opinion

In our opinion, the Remuneration Report of PWR Holdings Limited for the year ended 30 June 2022, 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 39 to 58 of the Directors' report for the year ended 30 June 2022.

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

KPMG

Tracey Barker  
Partner

Brisbane  
18 August 2022

## Additional Information

### ASX Additional Information

Shareholder Information at 3 August 2022

#### 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 3 August 2022.

| Category         | Number of Ordinary shares | Number of Security Holders |
|------------------|---------------------------|----------------------------|
| 1 – 1,000        | 857,245                   | 2,124                      |
| 1,001 – 5,000    | 5,226,206                 | 1,959                      |
| 5,001 – 10,000   | 3,889,184                 | 530                        |
| 10,001 – 100,000 | 8,363,105                 | 369                        |
| 100,001 and over | 81,960,306                | 24                         |
|                  | <b>100,296,046</b>        | <b>5,006</b>               |

143 shareholders hold less than a marketable parcel of ordinary shares of 60 shares as at 3 August 2022.

#### 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 3 August 2022.

| Name   | Number of ordinary shares held | Percentage of capital held % |
|--|--------------------------------|------------------------------|
| 1 J P MORGAN NOMINEES AUSTRALIA PTY LIMITED                        | 19,615,716                     | 19.56                        |
| 2 HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED                        | 15,152,425                     | 15.11                        |
| 3 CITICORP NOMINEES PTY LIMITED                                    | 10,582,649                     | 10.55                        |
| 4 KPW PROPERTY HOLDINGS PTY LTD <KPW HOLDINGS A/C>                 | 10,246,403                     | 10.22                        |
| 5 WAGON WHEEL CO PTY LTD <WAGON WHEEL A/C>                         | 10,000,000                     | 9.97                         |
| 6 NATIONAL NOMINEES LIMITED  | 3,669,023                      | 3.66                         |
| 7 MAMLEC PTY LTD <BRYSON FAMILY A/C>                               | 3,175,000                      | 3.17                         |
| 8 BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>            | 2,029,704                      | 2.02                         |
| 9 BNP PARIBAS NOMS PTY LTD <DRP>                                   | 1,505,757                      | 1.50                         |
| 10 NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>               | 887,224                        | 0.88                         |
| 11 ANACACIA PTY LTD <WATTLE FUND A/C>                              | 695,429                        | 0.69                         |
| 12 TRUEBELL CAPITAL PTY LTD <TRUEBELL INVESTMENT FUND>             | 660,380                        | 0.66                         |
| 13 WEELY'S INVESTMENT HOLDINGS PTY LTD <THE WEELY'S A/C>           | 622,267                        | 0.62                         |
| 14 BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C> | 575,843                        | 0.57                         |
| 15 UBS NOMINEES PTY LTD  | 538,350                        | 0.54                         |
| 16 CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>    | 523,009                        | 0.52                         |
| 17 WASK MANAGEMENT PTY LTD <THE USHER INVESTMENT A/C>              | 364,575                        | 0.36                         |
| 18 JEREMY AND LYNETTE KING SUPERANNUATION PTY LTD                  | 215,000                        | 0.21                         |
| 19 BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>      | 183,575                        | 0.18                         |
| 20 CITICORP NOMINEES PTY LIMITED <DPSL A/C>                        | 167,754                        | 0.17                         |
| <b>Top 20 holders of ordinary fully paid shares</b>                | <b>81,410,083</b>              | <b>81.17</b>                 |
| <b>Total Remaining Holders Balance</b>                             | <b>18,885,963</b>              | <b>18.83</b>                 |

## Additional Information

# ASX Additional Information

Shareholder Information at 3 August 2022

### SUBSTANTIAL SHAREHOLDERS

At 3 August 2022, PWR Holdings Limited had 4 substantial shareholders who, together with their associates, hold 5 per cent or more of the voting rights in PWR, as notified to PWR under the Australian Corporations Act.

### RIGHTS

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

| <b>Number of rights holders</b> | <b>Number of rights on issue</b> |
|---------------------------------|----------------------------------|
| 9                               | 273,338                          |

### 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

#### PWR Holdings Limited

103 Lahrs Road  
Ormeau, 4208  
Queensland

**Phone:** 07 5547 1600

**Fax:** 07 5547 1666

**Email:** info@pwr.com.au

### POSTAL ADDRESS

PO Box 6425  
Yatala QLD 4207

### NORTH AMERICA OFFICE

#### PWR C&R

6950 Guion Road  
Indianapolis, IN 46268  
USA

**Phone:** +1 317-293-4100

**Fax:** +1 317-293-4110

**Email:** info@crracing.com

### UK OFFICE

#### PWR Europe

1141 Silverstone Park, Buckingham Road  
Silverstone, Northants, NN12 8FU  
United Kingdom

Enquiries

**Phone:** +44 (0) 1327 362940

**Fax:** +44 (0) 1327 362960

**Email:** sales@pwreurope.com

## WEBSITE

www.pwr.com.au

## LOCATION OF SHARE REGISTRY

### Computershare Investor Services Pty Ltd

Level 1, 200 Mary Street  
Brisbane, 4000  
Queensland

## ASX TICKER CODE:

PWH



*PWR Holdings Limited*

*Phone: 07 5547 1600*

*www.pwr.com.au*



***PWR C&R***

*6950 Guion Road,  
Indianapolis IN 46268  
United States of America*



***PWR EUROPE***

*1141 Silverstone Park,  
Buckingham Road,  
Silverstone, Northants,  
NN12 8FU  
United Kingdom*



***PWR PERFORMANCE PRODUCTS***

*103 Lahrs Road,  
Ormeau 4208  
Queensland  
Australia*

