Annual Report

2016

PWR Holdings Limited
and its controlled entities
ACN:105 326 850

Contents	Page

2016 Annual General Meeting

The details of the 2016 Annual General Meeting for PWR Holdings Limited are:

10am (Brisbane time), Friday, 21 October 2016

Offices of Corrs Chambers Westgarth
Level 42
One One One Eagle
111 Eagle Street
Brisbane QLD 4000

Key Dates for Shareholders

Date	Event
1 September 2016	Ex-dividend
2 September 2016	Record date for final dividend
19 September 2016	Payment of final dividend
21 October 2016	Annual General Meeting
31 December 2016	Half year-end
February 2017	Half year results and investor presentation
April 2017	Proposed payment of 2017 interim dividend
30 June 2017	Full year-end
August 2017	Annual results and investor presentation

Message from Managing Director and Chairman

Highlights

- ✓ Pro forma NPAT $10.8 million
- ✓ Statutory NPAT $8.7 million
- ✓ Total fully franked dividend of 4.4 cents per share, representing 50% of statutory NPAT
- ✓ Revenue, EBITDA and NPAT exceeded prospectus forecasts, despite the strengthening AUD in the second half
- ✓ Organic growth exceeded expectations
- ✓ Secured two new Original Equipment Manufacturer ("OEM") contracts in Australia and Europe
- ✓ Investment in engineering and production personnel and infrastructure to facilitate growth
- ✓ Continued the C&R Racing integration and strengthened USA focus
- ✓ Developed channels to the USA automotive aftermarket
- ✓ Strong cash conversion
- ✓ Zero core debt

The full year results are summarised below:

A$'000	FY16	Prospectus forecast	Variance
Revenue	**47,348**	**46,994**	**+ 0.8%**
Pro forma EBITDA (i) (ii)	16,903	16,162	+ 4.6%
Pro forma EBITDA margin (ii)	35.7%	34.4%	+ 1.3%
Pro forma net profit after tax (ii)	**10,766**	**10,462**	**+2.9%**
Statutory net profit after tax	8,735	8,325	+4.9%
Pro forma free cash flow	10,452	11,748	- 11.0%
Pro forma earnings per share	10.8 cents	10.5 cents	+ 2.9%
Total dividend	4.4 cents	4.2 cents	+ 4.8%

(i) 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 Company's annual financial statements.
(ii) Pro forma adjustments relate to IPO costs ($2.7 million before tax) and interest costs ($0.2 million before tax) associated with bank facilities repaid from IPO proceeds.

Outlook

After a strong initial full year result as a public company, PWR is well positioned to take advantage of future growth opportunities globally as it continues to:

- ✓ Be "Resource Ready" to take advantage of growth opportunities through ongoing investment in infrastructure and engineering and production personnel;
- ✓ Develop channels to the USA automotive aftermarket;
- ✓ Expand its product offering to capture greater customer spend;
- ✓ Invest in R&D, including an electronic cooling test facility in the emerging technology sector;
- ✓ Deliver new OEM contracts in Australia and Europe; and
- ✓ Progress other OEM opportunities.

Message from Managing Director and Chairman

Dear Fellow Shareholder,

On behalf of the Board and Management of PWR Holdings Limited ("PWR"), we are pleased to present our 2016 Annual Report, our first since listing on the ASX.

PWR listed on the ASX on 18 November 2015. PWR is a home grown Australian company that designs, engineers, manufactures, tests, validates and sells customised cooling solutions for elite motorsports, high performance automotive applications, automotive aftermarket and emerging sectors domestically and globally. Your Board and management are focused on continuing to maintain revenue growth while building the governance and operating platform to support future growth plans.

By leveraging off our track record in elite motorsports, coupled with PWR's DNA of passion, winning and results, the team has delivered strong revenue and profit growth above the forecast in our Prospectus, a credit to the focus and dedication of our people.

Financial Performance

PWR achieved FY16 revenue of $47.3m, an increase of 45.6% on that achieved in FY15 (FY15: $32.5m). Growth in revenue was driven by increased organic growth primarily in the motorsports and automotive aftermarket sectors combined with a full year contribution of the C&R Racing business which was acquired in late March 2015. This revenue outcome was achieved despite the strengthening of the Australian dollar in the second half of FY16, which impacted revenue negatively by $1.1m.

Net profit after tax of $8.7m included the recognition of $2.7 million (pre-tax) of one-off expenses in relation to listing. Excluding the impact of this amount, plus an additional pro forma interest adjustment of $0.2 million (pre-tax), profit from ordinary activities after tax attributed to members was up 21% to $10.8 million on the prior corresponding period (FY15: $8.9m). EBITDA for FY16 (excluding IPO costs of $2.7 million) was $16.9 million (FY15: $13.0 million).

Financial Position

Operating cash flow for the year was strong at $12.5 million (2015: $8.1 million). The balance sheet remains strong with cash of $8.8 million (2015: $1.0 million), net assets of $36.7 million (2015: $5.2 million) and no core debt.

Dividends

The successful first period since listing on the stock exchange resulted in a total fully franked dividend to shareholders of 4.4 cents per share, representing 50% of statutory NPAT, in line with the prospectus forecast. A final dividend of 3.78 cents per share has been declared by the Directors following the interim dividend of 0.62 cents paid last April.

Outlook

FY17 will see a focus on PWR being "Resource Ready" to take advantage of growth opportunities. Key to this will be continued investment in infrastructure, engineering, production, sales and human resources personnel and research and development including an electronic cooling test facility in the emerging technology sector. To leverage off our investment in C&R Racing, we will continue to develop channels to the USA automotive aftermarket and expand our product offering to increase customer spend. In addition, delivering new OEM contracts in Australia and Europe and progressing other OEM opportunities will also be on the agenda for what is shaping up to be another exciting year for PWR.

On behalf of the Board, we would like to thank all our staff for their hard work and dedication over the last year and commitment to achieving the goals outlined in our prospectus.

The Board would also like to express its gratitude to you, our shareholders, for your support and interest in PWR.

Kees Weel
Managing Director

Bob Thorn
Chairman

PWR Holdings Limited
and its controlled entities
Directors' report
For the year ended 30 June 2016

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 2016 and the auditor's report thereon.

1. Directors

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

Director	Experience
Robert (Bob) Thorn *Independent Chairman, Non-Executive Director* *Appointed 7 August 2015* *Member of Audit and Risk Committee* *Member of Nomination and Remuneration Committee*	Bob brings considerable board and senior management experience to PWR from his thirteen years at Super Retail Group, including nine years as Managing Director. During his time at the company Bob drove Australian and New Zealand expansions and led the creation of the Boating Camping Fishing (BCF) business, the market leader in camping and leisure. In 2004, Bob was awarded the Ernst and Young Australian Entrepreneur of the Year for Retailer, Consumer and Industrial Products. In that same year, he was awarded the National Retailers' Association Special Individual Achiever's Award. He was previously General Manager at Lincraft, and held senior roles at other major retailers including nine years with David Jones. Bob has also been the Chairman of MotorCycle Holdings, Cutting Edge, and a Director at WOW Sight and Sound, Babies Galore, and Unity Water. Bob is currently a Non-Executive Director of Myer, a position he has held since February 2014. Bob is an active motorsports participant and is also a Member of the Australian Institute of Company Directors.
Year of next scheduled re-election	2017
Current directorships of listed entities	Myer Limited (appointed 6 February 2014)
Directorships of listed entities over last 3 years	MotorCycle Holdings Limited (8 March 2016 to 22 July 2016)
Kees Weel *Managing Director and Chief Executive Officer* *Appointed 30 June 2003*	Kees has more than 30 years of experience in the automotive cooling industry. He is a key relationship and business development manager for top tier local and overseas customers. Kees also actively leads the product development management team. Kees was a team principal of PWR Racing V8 Super Car Team 1998-2007 and was a board member for Tega V8 Supercars in 2007.
Year of next scheduled re-election	Not applicable
Current directorships of listed entities	Nil
Directorships of listed entities over last 3 years	Nil

1. Directors (continued)

Director	Experience
Jeffrey Forbes *Independent, Non-Executive Director* *Appointed 7 August 2015* *Chairman of Audit and Risk Committee* *Member of Nomination and Remuneration Committee*	Jeff has 34 years' experience in senior finance and management roles with extensive mergers and acquisitions experience. Jeff retired in March 2013 as Chief Financial Officer, Executive Director and Company Secretary of Cardno, an ASX-listed engineering consultancy company. Prior to joining Cardno, Jeff was Chief Financial Officer and Executive Director at Highlands Pacific and has previously held senior finance roles in the resources sector. Jeff holds a Bachelor of Commerce from the University of Newcastle and is a Graduate of the Australian Institute of Company Directors. Jeff is a Non-Executive Director of Cardno and Chairman of Herron Todd White Australia and Herron Todd White Consolidated. Jeff also sits on the board of not-for-profit Horizon Housing Group and the AFSL company, Australian Affordable Housing.
Year of next scheduled re-election	2016
Current directorships of listed entities	Cardno Limited (appointed 27 January 2016)
Directorships of listed entities over last 3 years	CMI Limited (10 April 2014 to 29 February 2016) Affinity Education Group Limited (6 November 2013 to 15 December 2015) Exoma Energy Limited (1 July 2014 to 27 February 2015) Talon Petroleum Limited (4 April 2013 to 3 November 2014)
Teresa Handicott *Independent, Non-Executive Director* *Appointed 1 October 2015* *Chairman of Nomination and Remuneration Committee* *Member of Audit and Risk Committee*	Teresa spent over 30 years practicing as a corporate lawyer, specialising in mergers and acquisitions, capital markets and corporate governance. She was a partner of national law firm Corrs Chambers Westgarth for 22 years. She served as a member of its National Board for seven years including four as National Chairman prior to her retirement from the partnership in June 2015. Teresa was recently appointed director of ASX listed company Downer EDI Limited and of four subsidiaries of the Local Government Association of Queensland (LGAQ), which are responsible for its commercial operations, Propel Partnership JV, Local Buy Pty Ltd, Local Government Infrastructure Services Pty Ltd and Resolute IT. Teresa serves on the Queensland University of Technology (QUT) Council, where she chairs the Audit and Risk Committee and is a member of the Investment and Borrowings Committee. She is a director of Bangarra Dance Theatre Limited and chairs its Remuneration Committee. Teresa is a Divisional Councillor of the Queensland Division of the Australian Institute of Company Directors (AICD) and is a member of the AICD's National Law Committee. She also serves on the Sunshine Coast Council's Economic Futures Board. Teresa is a Member of Chief Executive Women (CEW) where she serves on the Scholarship Committee, is a Senior Fellow of Finsia and a Graduate of the AICD. Teresa's previous positions include Member of the Takeovers Panel, Associate Member of the Australian Competition and Consumer Commission (ACCC), Member of the Finsia Queensland Regional Council, Director of CS Energy Limited, Principal Law Lecturer for the Securities Institute of Australia (now Finsia) and Tutor in Corporate Governance for the AICD Directors Course.

1. Directors (continued)

Director	**Experience**
Teresa Handicott (continued)	
Year of next scheduled re-election	2018
Current directorships of listed entities	Downer EDI Limited (appointed 24 June 2016, effective 21 September 2016)
Directorships of listed entities over last 3 years	Nil

Former Director	**Experience**
Paul Anthony Weel	Paul is a co-founder of PWR and started making specialist aluminium radiators in 1997. Paul had extensive experience in managing key relationship customers in the US, UK and Europe. Paul resigned as an Executive Director of the Company on 24 September 2015 after serving 6 years as a Director. Paul remains a senior employee in the business.

2. Company Secretary

Lisa Dalton (B.App. Sc., M.App. Sc., LLB (Hons), FAICD, FCIS) was appointed as Company Secretary on 7 August 2015. Lisa is an experienced governance professional having been company secretary of a number of listed and unlisted companies over the past 16 years.

3. Directors' meetings

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

Director	**Board Meetings**		**Audit and Risk Committee Meetings**		**Nomination and Remuneration Committee Meetings**	
	Attended	**Held**	**Attended**	**Held**	**Attended**	**Held**
Bob Thorn	12	12	3	3	4	4
Kees Weel	12	12	-	-	-	-
Jeffrey Forbes	12	12	3	3	4	4
Teresa Handicott	10	10	3	3	3	3
Paul Weel (resigned 24 September 2015)	-	1	-	-	-	-

4. Principal activities

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

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

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

5. Operating and financial review

Summary of financial results

Profit and loss summary	**FY16**	**FY15**	**FY15 to FY16**
	A$'000	**A$'000**	**%**
Revenue	47,348	32,526	+ 45.6%
EBITDA (excluding IPO costs)	16,903	13,025	+ 29.8%
EBITDA margin (excluding IPO costs)	35.7%	40.0%	- 4.3%
Net profit after tax (including IPO costs)	8,735	8,909	- 2.0%
Earnings per share	9.31 cents	10.90 cents	

Revenue

Growth in revenue compared to the prior year was primarily due to:

- Increased organic growth primarily in the motorsports and automotive aftermarket sectors, arising from increased market penetration and the introduction of product tanking capabilities; and
- A full year contribution of the C&R Racing business which was acquired on 27 March 2015.

EBITDA[1]

The lower EBITDA margin in 2016 compared to the prior year was primarily driven by:

- The acquisition of C&R Racing which has lower operating margins;
- A higher margin OEM contract delivered in 2015;
- Investment in new engineering and production personnel to ensure PWR is "resource ready" to take advantage of future growth opportunities;
- Costs associated with being a public company; and
- Costs associated with the integration of C&R Racing.

Net profit after tax

Net profit after tax of the Group for the year ended 30 June 2016 included the recognition of $2.7 million ($1.9 million after tax) of one-off expenses in relation to the initial public offering of the Company as outlined below.

Foreign currency

The Group is exposed to movements in foreign exchange rates, with approximately 48.6% of revenue generated in British pounds (2015: 53.7%), 39.8% in US dollars (2015: 31.9%) and 11.6% in Australian dollars (2015: 14.4%).

With the strengthening of the Australia dollar in the second half of the 2016 financial year, particularly against the British pound, revenue was impacted negatively by $1.1 million compared to the prospectus forecast issued by the Company during the year.

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

5. Operating and financial review (continued)

Review of operating segments

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

The PWR Performance Products segment generated external revenue of $30.7 million (2015: $23.8 million), with the growth from the prior year being the result of organic growth across the various sectors in which PWR operates, primarily driven by the motorsports and automotive aftermarket sectors.

The C&R Racing segment generated external revenue of $16.6 million (2015: $8.7 million), with the growth from the prior year being a full year contribution from C&R Racing which was acquired on 27 March 2015.

Review of principal businesses

During the year ended 30 June 2016, the Group:

- Secured two new OEM contracts in Australia and Europe in addition to other OEM development and prototype work;
- Undertook capital investment to expand product tanking and production capabilities together with investment in new engineering and production personnel to ensure capability to meet future growth, resulting in global staff numbers increasing by 25 to 187 at 30 June 2016;
- Continued the integration of the C&R Racing business, which included implementing PWR's ERP system, development of a new website and online store, development of product knowledge, gaining of production efficiencies, expansion of the sales representative network and development of avenues to the USA automotive aftermarket via leading parts retailers;
- Finalised the development of cooling solutions for industrial replacements markets and commenced sales to the mining and construction industry; and
- Declared and paid an interim dividend of $0.0062 per share (2015: nil).

Initial Public Offering

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

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

Capital management and liquidity

Operating cash flow for the year was strong at $12.5 million (2015: $8.1 million). The balance sheet remains strong with cash of $8.8 million (2015: $1.0 million), net assets of $36.7 million (2015: $5.2 million) and no core debt.

Capital expenditure for the year was $2.4 million (2015: $1.0 million), including specific capital expenditure to expand product tanking and production capabilities.

The Group also invested in new engineering and production personnel to ensure it is "resource ready" to take advantage of future growth opportunities.

5. Operating and financial review (continued)

Business risks and opportunities

The following are key opportunities and risks that may impact the Group's financial and operating results in future periods:

Opportunities	Risks
• Leverage off reputation in elite motorsports to increase penetration into existing and emerging sectors • Pursue OEM opportunities • Expansion of product offering to capture greater customer spend • Continued intellectual property and product development • Continued globalisation and standardisation of motorsports • Global investment in the development of electric and hybrid engines	• Loss of key customers • Loss of key employees • Emergence of domestic and international competitors • Unfavourable movement in foreign currency exchange rates • Integration of the C&R Racing acquisition • Manufacturing equipment failure • Failure of supply chain • Product defects or failure • Workplace incidents

Significant changes in the state of affairs

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

6. Dividends

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

Declared and paid during the year	Amount per share	Total amount $	Date of payment
Interim 2016 ordinary	$0.0062	620,000	8 April 2016
Total amount		620,000	

Declared after end of year

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

	Amount per share	Total amount $	Date of payment
Final 2016 ordinary	$0.0378	3,780,000	19 September 2016
Total amount		3,780,000	

The financial effect of this dividend has not been brought to account in the consolidated financial statements for the year end 30 June 2016 and will be recognised in subsequent financial reports. There is no Dividend Re-investment plan in operation.

7. Likely developments

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

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

8. Events subsequent to reporting date

The Board declared a fully franked final dividend of 3.78 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 2016.

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

9. Environmental regulation

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.

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 20 and forms part of the directors’ report for the financial year ended 30 June 2016.

14. Directors’ interests

Details of the Directors’ interests in the securities of the Company are disclosed in the remuneration report. At the date of this report their holdings do not differ from the amount held at 30 June 2016.

15. Rounding

In accordance with the ASIC Corporations (Rounding in Financial/Directors’ Reports) Instrument 2016/191 commencing 1 April 2016, amounts in the financial report and Directors’ report have been rounded to the nearest dollar, unless otherwise stated.

16. Remuneration report – audited

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

Key Management Personnel

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

KMP consist of:

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

The table below summarises details of KMP of the Group for the financial year ended 30 June 2016, their roles and appointment/cessation dates.

Key Management Personnel during the Reporting Period		
Name	**Role**	**Appointment Date / (Cessation Date)**
Non-Executive Directors		
Bob Thorn	Chairman, Non-Executive Director	7 August 2015
Jeff Forbes	Non-Executive Director	7 August 2015
Teresa Handicott	Non-Executive Director	1 October 2015
Executive Director and Senior Executives		
Current		
Kees Weel	Managing Director	30 June 2003
Matthew Bryson	General Manager, Engineering	11 April 2006
Adam Purss	Chief Financial Officer	23 February 2015
Earle Roberts	Chief Operating Officer	19 April 2016
Chris Jaynes	General Manager, USA	25 January 2016
Former		
Paul Weel	Executive Director	9 January 2006/(24 September 2015)
	Production Manager	9 January 2006/(31 May 2016)
Chris Paulsen	General Manager, USA	27 March 2015/(25 January 2016)

Remuneration Governance

The following diagrammatic representation shows the framework the Board has in place to establish and review remuneration for KMP and employees of the Group:

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

16. Remuneration report – audited (continued)

Non-Executive Director Remuneration

Policy

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

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

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

The aggregate Non-Executive Director remuneration cap approved by shareholders in 2015 is $750,000 per annum (inclusive of superannuation contributions). The Board determines the distribution of Non-Executive Director fees within the approved remuneration cap.

Remuneration of Non-Executive Directors during Reporting Period

The following table sets out the Board and Committee fees (inclusive of superannuation) as at the end of the Reporting Period:

Non-Executive Directors	Board Member	Board Chairman	Audit & Risk Committee Chairman	Nomination & Remuneration Committee Chairman	Total
	$ per annum	$ per annum	$ per annum	$ per annum	$ per annum
Bob Thorn	95,000	155,000	-	-	250,000
Jeff Forbes	95,000	-	20,000	-	115,000
Teresa Handicott	95,000	-	-	20,000	115,000
Total	285,000	155,000	20,000	20,000	480,000

Executive Director and Senior Executive Remuneration

Remuneration policy for senior executives

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

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

16. Remuneration report – audited (continued)

Executive Director and Senior Executive Remuneration (continued)

Components of remuneration

The remuneration framework for senior executives comprises two elements:

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

The Group's mix of fixed and at risk remuneration for the Managing Director and other senior executives as a total of remuneration for the 2016 financial year was as follows:

	Fixed remuneration	At risk remuneration
Managing Director	85.9%	14.1%
Senior executives	94.6%	5.4%

Long-term incentive plan

The Board will recommend to shareholders the implementation of a long-term incentive plan ("LTIP") at the 2016 AGM. The LTIP vehicle proposed is a Performance Rights Plan. Eligible participants will be the Managing Director, senior executives and key personnel nominated by the Board.

The Managing Directors and senior executives did not receive equity based compensation under a long term incentive plan during the year ended 30 June 2016 (2015: nil).

1. Fixed remuneration

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

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

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

Upon the recommendation of the Nomination and Remuneration Committee and approval of the Board, senior executives did not receive remuneration increases to their fixed remuneration from 1 July 2016.

2. Performance linked remuneration

Short-term incentive plan

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

Under the plan, participants have an opportunity to receive an annual cash bonus calculated as a percentage of their total fixed remuneration ("TFR") and conditional on the achievement of short-term financial and non-financial performance measures at a corporate and individual level. For the year ended 30 June 2016, short-term incentive payments were payable to participants if the Group achieved or exceeded the EBITDA forecast as set out in the Forecast Financial Information included in the Company's Prospectus issued in October 2015.

16. Remuneration report – audited (continued)

Executive Director and Senior Executive Remuneration (continued)

Components of remuneration (continued)

2. Performance linked remuneration (continued)

Short-term incentive plan (continued)

Awards to be made under the short-term incentive plan were assessed by the Nomination and Remuneration Committee and approved by the Board. The Board retains an overall discretion on whether to pay all, a portion of, or no annual bonus.

Annual bonus

The executive director and senior executives are eligible for an annual bonus each financial year.

The annual bonus plan focuses attention on short-term non-financial and financial objectives at a corporate and individual level. The quantum of the cash award varies based on the year's accomplishments, including the EBITDA of the Group which acts as a gate for the annual bonus plan to operate. In addition, financial and non-financial targets were established by the Board at the beginning of the Reporting Period and assessed at the end of the Reporting Period.

A summary of the FY16 achievements against the corporate objectives is outlined below:

Corporate key performance indicators for FY16		
KPI	**Target**	**FY16 Outcome** (ii)
EBITDA Gate (i)	$16.2m	$17.2m
Safety	Zero Lost Time Injuries (LTIs)	Zero LTIs
Profitability (i)	NPAT >$10.3 million	$10.8 million
Gross Margin	PWR Consolidated gross margin >Target	4.4% above Target

(i) Amounts are prior to short-term incentive plan payments and IPO costs
(ii) These amounts have not been subject to audit or review

The Group EBITDA[1] as set out in the Forecast Financial Information included in the Company's Prospectus issued in October 2015 was established by the Board as a gate to the operation of the short term-incentive plan for the Reporting Period. The Group achieved an EBITDA of $17.2m (prior to short-term incentive plan payments and excluding IPO costs) which equates to 6.1% above the EBITDA target of $16.2m. This result triggered the operation of the short-term incentive plan with a performance modifier of 33% contributing towards the annual cash bonus awarded to each senior executive. To achieve the maximum annual cash bonus, the Managing Director and senior executives had to exceed the EBITDA gate by 20%.

Assessment of these targets is subject to assessment made by the Nomination and Remuneration Committee and approved by the Board. The Board retains an overall discretion on whether to pay all, a portion of, or no annual bonus. Incentives may be granted, at the discretion of the Board, in cash.

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

16. Remuneration report – audited (continued)

Executive Director and Senior Executive Remuneration (continued)

Components of remuneration (continued)

2. Performance linked remuneration (continued)

Short-term incentive plan (continued)

Analysis of cash bonuses included in remuneration

The Board awarded the Managing Director and the following senior executives a cash bonus for the reporting period, payable in September 2016, as follows:

Employed at 30 June 2016	Position	Max Potential Bonus % TFR	Actual Bonus % TFR	Bonuses included in FY16 remuneration $
Kees Weel	Managing Director	50%	14.1%	61,213
Matthew Bryson	General Manager, Engineering	30%	8.2%	27,101
Adam Purss	Chief Financial Officer	30%	8.8%	21,247
Earle Roberts (i)	Chief Operating Officer	30%	19.4%	13,613
Chris Jaynes (ii)	General Manager, USA	30%	9.8%	8,440

(i) Commenced employment on 15 April 2016. Pro-rata award.
(ii) Employed by C&R Racing Inc and remunerated in USD. Commenced as KMP on 25 January 2016. Pro-rata award.

Company performance and remuneration outcomes

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

When setting targets and determining the quantum of the remuneration increases and the proportion of fixed and performance linked remuneration components, the Board refers to remuneration benchmarking reports provided by independent sources and remuneration consultants from time to time. The Board retains an overarching discretion to award an annual bonus. In exercising that discretion they have regard to the remuneration policy, market conditions and Group performance.

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

The table below summarises the Group's performance for the 2016 financial year.

	2016 $	2015 $
EBITDA (excluding IPO costs)	16,903,003	13,024,518
Statutory net profit after tax	8,735,466	8,909,175
Total dividends per share	4.40 cents	$13.78
Change in share price	1.28	N/A
Earnings per share	9.31 cents	10.90 cents

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

16. Remuneration report – audited (continued)

Company performance and remuneration outcomes (continued)

	Total Fixed Remuneration (TFR) *Salary and other benefits including statutory superannuation*	+	Annual Bonus Cash for targeted performance above and beyond role	=	Total Remuneration (TR)
Remuneration Governance					
Performance Measures	Personal Development Plans • Performance to role • PWR DNA • STI Guidelines		• Profit gate – minimum EBITDA is to be reached before operation of the annual bonus plan • Summarised on page 14 of the Remuneration Report) = 40%, personal goals relevant to area of accountability and 60% linked to Corporate goals		• The maximum amount of remuneration able to be earned by key management personnel
Component of Remuneration	Guaranteed Executive Employment Agreement		At risk Managing Director up to 50% TFR Other KMP up to 30% TFR		
Link to performance	The objectives of the Group's remuneration policy are to: • Align remuneration practices with sustainable shareholder value • Provide fair, consistent and competitive remuneration to attract and retain the best employees • Motivate employees to perform in the best interests of the Group and our stakeholders • Ensure gender pay equity		• Rewards corporate financial and non-financial performance. The EBITDA gate and financial performance measures were chosen principally because Group earnings and gross margin should drive dividends and share price growth over time. • Aligns to Group's strategic goals. Recognises and rewards achievement of strategy implementation relevant to area of accountability • Drives leadership performance and behaviours consistent with the Group's values		

16. Remuneration report – audited (continued)

Key Management Personnel Remuneration

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

Name	Year	Short-term benefits Cash salary & fees	Short-term benefits Cash Bonus	Short-term benefits Non-cash benefits	Total	Post Employment Benefits Super benefits	Termination benefits	Long-term benefits Long service leave	Total	Proportion of remuneration performance related
		$	$	$	$	$	$	$	$	%
Non-executive Directors										
Bob Thorn (i)										
Chairman, Non-Executive	2016	212,900	-	-	212,900	16,267	-	-	229,167	-
Director	2015	-	-	-	-	-	-	-	-	-
Jeff Forbes (i)	2016	87,519	-	-	87,519	8,314	-	-	95,833	-
Non-Executive Director	2015	-	-	-	-	-	-	-	-	-
Teresa Handicott (ii)	2016	78,767	-	-	78,767	7,483	-	-	86,250	-
Non-Executive Director	2015	-	-	-	-	-	-	-	-	-
Total - Non-Executive	2016	379,186	-	-	379,186	32,064	-	-	411,250	
Directors' Remuneration	2015	-	-	-	-	-	-	-	-	
Executive Directors and senior executives										
Current										
Kees Weel	2016	321,154	61,213	15,963	398,330	29,399	-	5,497	433,226	14.1
Managing Director	2015	184,616	-	-	184,616	17,538	-	-	202,154	-
Matthew Bryson										
General Manager,	2016	239,423	27,101	27,616	294,140	22,639	-	14,291	331,070	8.2
Engineering	2015	149,808	-	24,943	174,751	14,232	-	9,838	198,821	-
Adam Purss	2016	200,000	21,247	4,855	226,102	19,000	-	-	245,102	8.7
Chief Financial Officer	2015	149,311	-	1,479	150,790	6,577	-	-	157,367	-
Earle Roberts (iii)	2016	48,296	13,613	3,715	65,624	4,588	-	-	70,212	19.4
Chief Operating Officer	2015	-	-	-	-	-	-	-	-	-
Chris Jaynes (iv)	2016	74,698	8,440	2,603	85,741	741	-	-	86,482	9.8
General Manager, USA	2015	-	-	-	-	-	-	-	-	-
Former										
Paul Weel (v)	2016	230,769	-	8,557	239,326	20,812	-	3,622	263,760	-
Production Manager	2015	180,000	-	-	180,000	17,100	-	-	197,100	-
Chris Paulsen (vi)	2016	295,615	-	4,517	300,132	975	-	-	301,107	-
General Manager, USA	2015	110,552	-	-	110,552	-	-	-	110,552	-
Total – Executive Directors' and senior	2016	1,409,955	131,614	67,826	1,609,395	98,154	-	23,410	1,730,959	
executives' Remuneration	2015	774,287	-	26,422	800,709	55,447	-	9,838	865,994	
Total - KMP	2016	1,789,141	131,614	67,826	1,988,581	130,218	-	23,410	2,142,209	
Remuneration	2015	774,287	-	26,422	800,709	55,447	-	9,838	865,994	

(i) Appointed 7 August 2015. Prior to their appointment as Directors, consulting fees were paid to Bob Thorn ($20,833) and Jeff Forbes ($17,500) for their assistance with the IPO process. These consulting fees are not included in the amounts above.

(ii) Appointed 1 October 2015.

(iii) Appointed 19 April 2016.

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

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

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

16. Remuneration report – audited (continued)

Other Information

Contract duration and termination requirements

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

Name	Position	Notice Period
Executive Director		
Kees Weel	Managing Director	6 months
Senior Executives		
Matthew Bryson	General Manager, Engineering	3 months
Adam Purss	Chief Financial Officer	3 months
Earle Roberts	Chief Operating Officer	3 months
Chris Jaynes	General Manager, USA	3 months

Other transactions with Key Management Personnel

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

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

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

		Transaction values during year		Balance outstanding Receivable/(Payable)	
		2016	2015	2016	2015
Entity	Transaction	$	$	$	$
PWR Property Holdings Pty Ltd (i)	Property rent	878,757	746,019	-	(75,061)
PWR IP Trust (ii)	Purchase of trademark	-	8,432,116	-	-
Redback Radiators Pty Ltd (iii)	Sales of goods	14,239	15,989	-	1,895
	Sales of assets	-	66,745	-	-
	Administrative services	-	60,000	-	5,500
	Purchase of products	69,207	91,927	-	(14,235)
Innotherm Pty Ltd (iv)	Sales of goods	640	3,537	704	-
	Administrative services	8,000	12,000	-	1,100
Bayswater Road Radiators Pty Ltd (v)	Sales of goods	44,847	69,964	11,004	2,744
Paulsen Properties LLC (vi)	Property rent	260,462	83,574	-	-
JG Parker Properties LLC (vi)	Property rent	104,340	33,463	-	-

(i) The Group leases its Australian head office and factory facilities from an entity associated with Kees and Paul Weel.
(ii) The Group acquired a trademark from an entity associated with Kees and Paul Weel. The purchase price was based on the fair value of the trademark determined using the relief from royalty method.
(iii) Redback Radiators Pty Ltd is an entity that was associated with Kees Weel until 18 May 2016, which purchases goods and/or assets from the Group and sells products to the Group. The Group provided administrative services to Redback Radiators Pty Ltd in the prior year.
(iv) Innotherm Pty Ltd is an entity that was associated with Kees Weel until 16 February 2016, which purchases goods from the Group. The Group provided administrative services to Innotherm Pty Ltd.
(v) Bayswater Road Radiators Pty Ltd is an entity associated with Kees Weel, which purchases goods from the Group.
(vi) The Group leases its USA office and factory facilities from entities associated with Chris Paulsen, who was KMP until 25 January 2016.

16. Remuneration report – audited (continued)

Other Information (continued)

Share holdings of Key Management Personnel

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

	Shareholdings of KMP				
Name	**Opening Balance 1 July 2015** (ii)	**Shares acquired during the year**	**Shares disposed of during the year**	**Other** (iv)	**Closing Balance 30 June 2016**
Non-executive Directors					
Bob Thorn	-	400,000	-		400,000
Jeff Forbes	-	20,000	-		20,000
Teresa Handicott	-	13,500	-		13,500
Executive Directors and Senior Executives					
Current					
Kees Weel	76,768,500	-	(38,400,000) (iii)		38,368,500 (i)
Matthew Bryson	4,195,000	14,000	-		4,209,000
Adam Purss	-	13,330	-		13,330
Earle Roberts	-	21,800	-		21,800
Chris Jaynes	-	-	-		-
Former					
Paul Weel	76,768,500	-	(38,400,000) (iii)	(38,368,500) (i)	N/A
Chris Paulsen	2,936,500	-	-	(2,936,500)	N/A

(i) 38,368,500 shares held by KPW Property Holdings Pty Ltd as trustee for the KPW Holdings Trust. At 30 June 2016 Kees and Paul Weel are directors of the trustee and beneficiaries of the trust.
(ii) Shares held at 1 July 2015 represent shares held prior to the IPO. Pre-IPO shares were subject to pre-IPO share split in the ratio of 1:83.9. The opening balance represents the number of shares post the share split which occurred on 9 October 2015.
(iii) Shares disposed represent shares sold by KPW Property Holdings Pty Ltd into the IPO.
(iv) Shares no longer held in capacity as KMP.

Remuneration consultants

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

Employee Share Plans

There were no employee share plans in place during the Reporting Period.

This report is made with a resolution of the directors:

Bob Thorn
Chairman
Dated at Brisbane, this 25th day of August 2016.

Kees Weel
Managing Director
Dated at Brisbane, this 25th day of August 2016.

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

To: the directors of PWR Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2016 there have been:

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

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

KPMG

KPMG

Jason Adams
Partner

Brisbane
25 August 2016

PWR Holdings Limited
and its controlled entities

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2016

	Note	**2016** **$**	**2015** **$**
Revenue	*B2*	47,347,604	32,525,689
Other income		81,155	88,908
Raw materials and consumables used		(12,266,756)	(7,794,931)
Changes in inventories of finished goods and work in progress		930,454	355,421
Employee expenses		(15,011,543)	(9,297,028)
Depreciation and amortisation		(1,198,326)	(813,656)
Occupancy expenses		(1,553,364)	(1,080,553)
Initial public offering costs	*B3*	(2,665,936)	-
Other expenses		(2,624,547)	(1,772,988)
Results from operating activities		13,038,741	12,210,862
Finance income		16,531	713,926
Finance costs		(595,283)	(406,465)
Net finance income/(costs)	*B4*	(578,752)	307,461
Profit before income tax		12,459,989	12,518,323
Income tax expense	*E1*	(3,724,523)	(3,609,148)
Profit for the year attributable to equity holders of the parent		8,735,466	8,909,175
Other comprehensive income			
Items that are or may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		28,997	374,769
Total comprehensive income for the year		8,764,463	9,283,944
Basic and diluted earnings per share	*B5*	9.31 cents	10.90 cents

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

PWR Holdings Limited
and its controlled entities

Consolidated Statement of Financial Position

At 30 June 2016

	Note	**2016**	**2015**
Assets		**$**	**$**
Current assets			
Cash and cash equivalents	*C1*	8,796,805	1,005,861
Trade and other receivables	*C2*	4,089,710	4,314,617
Inventories	*C3*	6,743,778	5,106,744
Current tax assets	*E2*	-	170,388
Other assets including derivatives	*C4*	631,403	1,411,715
Total current assets		20,261,696	12,009,325
Non-current assets			
Property, plant and equipment	*C5*	5,909,144	4,727,525
Intangible assets	*C6*	14,174,350	14,125,891
Deferred tax assets	*E2*	1,821,995	656,145
Total non-current assets		21,905,489	19,509,561
Total assets		42,167,185	31,518,886
Liabilities			
Current liabilities			
Trade and other payables	*C7*	2,662,196	1,849,531
Loans and borrowings	*F1*	396,621	5,579,444
Employee benefits	*D1*	969,807	868,600
Provisions	*C8*	119,009	99,688
Current tax liabilities	*E2*	408,648	-
Total current liabilities		4,556,281	8,397,263
Non-current liabilities			
Loans and borrowings	*F1*	763,641	17,794,203
Employee benefits	*D1*	123,765	115,960
Total non-current liabilities		887,406	17,910,163
Total liabilities		5,443,687	26,307,426
Net assets		36,723,498	5,211,460
Equity			
Issued capital	*F2*	25,920,826	2,553,251
Reserves	*F2*	514,065	485,068
Retained earnings		10,288,607	2,173,141
Total equity		36,723,498	5,211,460

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

PWR Holdings Limited
and its controlled entities

Consolidated Statement of Changes in Equity

For the year ended 30 June 2016

	Note	Share Capital $	Foreign currency translation reserve $	Retained earnings $	Total equity $
Balance at 1 July 2015		2,553,251	485,068	2,173,141	5,211,460
Total comprehensive income for the year					
Profit for the year		-	-	8,735,466	8,735,466
Other comprehensive income		-	28,997	-	28,997
Total comprehensive income		-	28,997	8,735,466	8,764,463
Transactions with owners, recorded directly in equity					
Share issued during the year, net of costs	F2	23,367,575	-	-	23,367,575
Dividends paid	F3	-	-	(620,000)	(620,000)
Total transactions with owners		23,367,575	-	(620,000)	22,747,575
Balance at 30 June 2016		25,920,826	514,065	10,288,607	36,723,498
Balance at 1 July 2014		1	110,299	6,563,966	6,674,266
Total comprehensive income for the year					
Profit for the year		-	-	8,909,175	8,909,175
Other comprehensive income		-	374,769	-	374,769
Total comprehensive income		-	374,769	8,909,175	9,283,944
Transactions with owners, recorded directly in equity					
Share issued during the year	F2	2,553,250	-	-	2,553,250
Dividends paid	F3	-	-	(13,300,000)	(13,300,000)
Total transactions with owners		2,553,250	-	(13,300,000)	(10,746,750)
Balance at 30 June 2015		2,553,251	485,068	2,173,141	5,211,460

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

PWR Holdings Limited
and its controlled entities

Consolidated Statement of Cash Flows

For the year ended 30 June 2016

	Note	2016	2015
Cash flows from operating activities		$	$
Cash receipts from customers		47,887,825	35,016,101
Cash paid to suppliers and employees		(31,288,555)	(20,951,635)
Cash generated from operating activities		16,599,270	14,064,466
Interest paid		(316,235)	(265,845)
Income tax paid		(3,787,377)	(5,688,109)
Net cash from operating activities	*C1*	12,495,658	8,110,512
Cash flows from investing activities			
Government grant income received		81,155	63,691
Interest received		16,531	33,625
Acquisition of subsidiary, net of cash acquired	*G1*	-	(6,894,095)
Payments for intangible assets		-	(3,293,761)
Proceeds from sale of property, plant and equipment		51,718	79,413
Payments for property, plant and equipment (net of asset finance)		(1,271,513)	(996,919)
Net cash used in investing activities		(1,122,109)	(11,008,046)
Cash flows from financing activities			
Proceeds from issue of shares		24,150,000	-
Payments for costs of initial public offering		(3,783,685)	-
Dividends paid		(620,000)	(13,300,000)
Proceeds from borrowings		-	22,696,483
Repayment of borrowings		(22,451,143)	(1,168,746)
Loans to related parties		-	(5,197,808)
Payment of finance lease liabilities		(901,163)	(762,972)
Net cash used in financing activities		(3,605,991)	2,266,957
Net increase in cash and cash equivalents		7,767,558	(630,577)
Cash and cash equivalents at 1 July		1,005,861	1,638,984
Effect of exchange rate fluctuations on cash held		23,386	(2,546)
Cash and cash equivalents at 30 June	*C1*	8,796,805	1,005,861

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

Notes to the consolidated financial statements

For the year ended 30 June 2016

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 2016 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group Entities").

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

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

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

Rounding

In accordance with the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 commencing 1 April 2016, amounts in the financial report and Directors' report have been rounded to the nearest dollar, unless otherwise stated.

A2 Basis of preparation

(a) Statement of compliance

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

The financial statements were approved by the Board of Directors on 25 August 2016.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

Section A About this Report (continued)

A2 Basis of preparation (continued)

(d) Use of estimates and judgements (continued)

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

- Note C3 – Inventories
- Note C6 – Intangible assets
- Section E – Taxation
- Note C8 – Provisions
- Note G1 – Business combinations

A3 Significant accounting policies

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

A4 Foreign currency transactions and operations

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

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

Foreign currency differences are generally recognised in profit or loss.

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

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

A5 Determination of fair values

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

Non-derivative financial liabilities

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

Derivative financial instruments

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

Section B Business Performance

B1 Operating segments

The Group determines its operating segments based on information presented to the Managing Director being the chief operating decision maker. During the period, the Group changed its internal reporting structure which resulted in a change to the composition of its reportable segments. Operating segments are now based on the Group's operating divisions as opposed to their geographical location.

Intersegment revenues are determined based on cost plus margin. Segment profit before interest and tax is determined after elimination of intercompany transactions.

	PWR Performance Products		C&R Racing		Total	
	2016	2015	2016	2015	2016	2015
	$	$	$	$	$	$
External revenues	30,726,192	23,805,801	16,621,412	8,719,888	47,347,604	32,525,689
Inter-segment revenues	4,510,909	4,836,781	359,262	-	4,870,171	4,836,781
Segment revenue	35,237,101	28,642,582	16,980,674	8,719,888	52,217,775	37,362,470
Segment profit/(loss) before interest and tax	14,866,113	12,130,010	1,213,003	158,120	16,079,116	12,288,130
Depreciation and amortisation	821,083	698,862	377,243	114,794	1,198,326	813,656
Capital expenditure	1,972,565	980,516	440,868	16,403	2,413,433	996,919

	2016	2015
Reconciliation of reportable segment profit or loss	$	$
Revenues		
Total revenue for reportable segments	52,217,775	37,362,470
Elimination of inter-segment revenue	(4,870,171)	(4,836,781)
Consolidated revenue	47,347,604	32,525,689
Profit before tax		
Profit before tax for reportable segments	16,079,116	12,288,130
Elimination of inter-segment profit	(374,439)	(106,907)
Net finance income/(costs)	(578,752)	307,461
Unallocated corporate expenses – IPO costs	(2,665,936)	29,639
Consolidated profit before tax	12,459,989	12,518,323

Revenue from one major customer in the PWR Performance Products segment represents approximately 8.64% (2015: 13.98%) of the Group's total revenue.

Section B Business Performance (continued)

B1 Operating segments (continued)

Geographic information

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

	2016		2015	
	Revenues	Non-current assets (i)	Revenues	Non-current assets (i)
	$	$	$	$
Australia	5,082,377	17,430,603	4,484,734	16,349,281
USA	18,652,236	2,619,466	10,293,827	2,455,711
UK	10,452,855	33,425	7,337,615	48,424
Italy	6,669,487	-	3,945,505	-
Germany	4,006,646	-	4,398,916	-
France	988,756	-	1,168,419	-
Switzerland	427,076	-	354,623	-
Japan	216,187	-	150,358	-
Other countries	851,984	-	391,692	-
	47,347,604	20,083,494	32,525,689	18,853,416

(i) Excluding deferred tax assets.

B2 Revenue

	2016	2015
	$	$
Sales of goods	46,016,960	30,813,347
Rendering of services	711,937	1,267,476
Other revenue	618,707	444,866
	47,347,604	32,525,689

Recognition and measurement

Sale of goods

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

Rendering of services

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

Section B Business Performance (continued)

B3 Expenses

Significant items

During the year, the Company incurred $3.8 million before tax in one-off costs in relation to the initial public offering undertaken by the Company, of which $1.12 million was allocated to equity and $2.7 million was recorded as an expense. These non-recurring expenses are included in "Initial Public Offering Expenses" in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

B4 Finance income and expense

	2016 $	2015 $
Interest income	16,531	33,625
Net foreign exchange gain	-	680,301
	16,531	713,926
Interest expense	(316,235)	(265,845)
Borrowing costs	-	(140,620)
Net foreign exchange loss	(279,048)	-
	(595,283)	(406,465)
Net finance costs	(578,752)	307,461

Recognition and measurement

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

Finance costs comprise interest expense on borrowings and changes in the fair value of derivative financial instruments at fair value through profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses on 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.

Section B Business Performance (continued)

B5 Earnings per share

	2016	2015
Basic and diluted earnings per share	9.31 cents	10.90 cents (i)

(i) Restated to include impact of share split in October 2015, refer note F2.

Profit attributable to ordinary shareholders

The calculation of both basic and diluted earnings per share was based on profit attributable to equity holders of the Company of $8,735,466 (2015: $8,909,175).

Weighted average number of ordinary shares

	2016 No.	2015 No.
Issued ordinary shares at 1 July (restated for effect of 1,000,000 shares split into 83,900,000 shares in October 2015)	83,900,000	80,963,500
Effect of shares issued in March 2015 (restated)	-	748,220
Effect of initial public offering on 18 November 2015	9,968,767	-
Weighted number of ordinary shares at 30 June	93,868,767	81,711,720

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

Section C Operating Assets and Liabilities

C1 Cash and cash equivalents

	2016	2015
	$	$
Bank balances	8,757,445	997,986
Cash on hand	39,360	7,875
Cash and cash equivalents in the statement of cash flows	8,796,805	1,005,861

Recognition and measurement

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

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

Reconciliation of cash flows from operating activities

	2016	2015
Cash flows from operating activities		
Profit for the year	8,735,466	8,909,175
Adjustments for:		
Depreciation and amortisation	1,198,326	813,656
Net foreign exchange loss/(gain)	279,048	(680,301)
Initial public offering costs classified as financing activities	2,665,936	-
(Profit)/Loss on sale of property, plant and equipment	(40,856)	2,248
Changes in:		
Trade and other receivables	224,907	781,653
Inventories	(1,637,034)	510,303
Other assets	780,312	(1,280,432)
Trade and other payables	831,985	961,680
Employee benefits	109,013	171,491
Tax balances	(651,445)	(2,078,961)
Net cash from operating activities	12,495,658	8,110,512

C2 Trade and other receivables

	2016	2015
Trade receivables	4,078,002	3,165,881
Trade receivables due from related parties (refer note H2)	11,708	11,239
GST refund due	-	1,137,497
	4,089,710	4,314,617

Recognition and measurement

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

Section C Operating Assets and Liabilities (continued)

C2 Trade and other receivables (continued)

Recognition and measurement (continued)

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable.

The amount of the provision is the difference between the assets carrying amount and the present value of the estimated cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the statement of comprehensive income. The amount of the impairment loss is recognised in the profit and loss when a trade receivable for which an impairment allowance has been recognised becomes uncollectible in a subsequent period, it is written off against the allowance created. Subsequent recovery of amounts previously written off are credited against other expenses in the profit or loss.

Information about the Group's exposure to credit and market risks for trade and other receivables is disclosed in Note H1.

C3 Inventories

	2016 $	2015 $
Raw materials	2,014,449	1,437,239
Work in progress	595,679	382,165
Finished goods	4,899,453	4,182,513
Consumables	191,627	99,834
Allowance for inventory obsolescence	(957,430)	(995,007)
	6,743,778	5,106,744

Recognition and measurement

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

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

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

The cost of inventories sold and recognised as an expense during the year ended 30 June 2016 was $22,156,338 (2015: $14,677,481).

C4 Other assets

Current		
Prepayments	319,122	5,823
Deposits	167,609	368,426
Other assets	144,672	36,542
Forward exchange contracts at fair value through profit or loss	-	1,000,924
	631,403	1,411,715

Section C Operating Assets and Liabilities (continued)

C5 Property, plant and equipment

	2016 $	2015 $
Plant and equipment – at cost	10,628,238	8,428,985
Accumulated depreciation	(5,055,810)	(3,978,333)
	5,572,428	4,450,652
Motor vehicles – at cost	419,860	449,389
Accumulated depreciation	(229,662)	(191,541)
	190,198	257,848
Under construction	146,518	19,025
	5,909,144	4,727,525

Reconciliations

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

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

Section C Operating Assets and Liabilities (continued)

C5 Property, plant and equipment

Reconciliations (continued)

2015	*Plant and equipment*	*Motor vehicles*	*Under construction*	*Total*
Cost				
Opening balance	6,469,499	599,447	59,537	7,128,483
Additions	982,028	14,891	-	996,919
Acquired through business combination	1,041,894	152,196	-	1,194,090
Transfers	40,512	-	(40,512)	-
Disposals	(130,999)	(321,264)	-	(452,263)
Effect of movements in exchange rates	26,051	4,119	-	30,170
Closing balance	8,428,985	449,389	19,025	8,897,399
Accumulated depreciation				
Opening balance	(3,297,505)	(307,847)	-	(3,605,352)
Disposals	92,792	184,963	-	277,755
Depreciation	(751,528)	(62,128)	-	(813,656)
Effect of movements in exchange rates	(22,092)	(6,529)	-	(28,621)
Closing balance	(3,978,333)	(191,541)	-	(4,169,874)
Net carrying amount	4,450,652	257,848	19,025	4,727,525

The plant and equipment balance as at 30 June 2016 includes assets with carrying amounts of $1,937,418 under finance lease (2015: $1,057,901). The motor vehicles balance as at 30 June 2016 includes no assets under finance lease (2015: $50,295). During the year, the Group acquired assets of $1,138,910 under finance lease (2015: nil).

Recognition and measurement

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

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

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

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

Subsequent costs

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

Section C Operating Assets and Liabilities (continued)

C5 Property, plant and equipment (continued)

Depreciation

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

The estimated useful lives are as follows:

	2016	2015
• Plant and equipment	2-7 years	2-7 years
• Motor vehicles	4-6 years	4-6 years

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

C6 Intangible assets

	Note	Goodwill	Trademarks	Total
2016				
Cost		3,188,984	10,985,366	14,174,350
Accumulated amortisation		-	-	-
		3,188,984	10,985,366	14,174,350
2015				
Cost		3,140,525	10,985,366	14,125,891
Accumulated amortisation		-	-	-
		3,140,525	10,985,366	14,125,891
Reconciliations				
2016				
Carrying amount at beginning of year		3,140,525	10,985,366	14,125,891
Purchased		-	-	-
Acquisition through business combination	*G1*	-	-	-
Amortisation		-	-	-
Effect of movements in exchange rates		48,459	-	48,459
Balance at the end of the year		3,188,984	10,985,366	14,174,350
2015				
Carrying amount at beginning of year		-	-	-
Purchased		-	8,432,116	8,432,116
Acquisition through business combination	*G1*	3,112,145	2,553,250	5,665,395
Amortisation		-	-	-
Effect of movements in exchange rates		28,380	-	28,380
Balance at the end of the year		3,140,525	10,985,366	14,125,891

Section C Operating Assets and Liabilities (continued)

C6 Intangible assets (continued)

Recognition and measurement

Goodwill

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

Trademarks

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

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

Impairment

Non-financial assets

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

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

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

Section C Operating Assets and Liabilities (continued)

C6 Intangible assets (continued)

Impairment

During the period, the Group restructured its internal reporting and completed the allocation of goodwill recognised in the acquisition of C&R Racing to the group's CGU's expected to benefit from the synergies of the acquisition. Comparative information below has been restated to maintain consistency with the current year allocation.

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

	PWR Performance Products		C&R Racing	
	2016	2015	2016	2015
	$	$	$	$
Goodwill	1,931,000	1,931,000	1,257,984	1,209,525
Trademarks	8,432,116	8,432,116	2,553,250	2,553,250
	10,363,116	10,363,116	3,811,234	3,762,775

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 cashflow projections over a five year period and include a terminal value at the end of year five. The cashflow projections over the five year period are based on the Group's budget for 2017 and year on year revenue growth rates over the forecasted periods based on management's estimates of the impacts of underlying economic conditions, past performance and other factors on each CGU's financial performance. The long term growth rate used in calculating the terminal value is based on long term inflation estimates for the country and industry in which each CGU operates.

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

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

	2016	2015
PWR Performance Products	**%**	**%**
Discount rate – pre tax	16.5%	N/A
Terminal value growth rate	2.0%	N/A
Annual revenue growth rate p.a.	5.0%	N/A
C&R Racing		
Discount rate – pre tax	15.5%	15.3%
Terminal value growth rate	2.0%	2.0%
Annual revenue growth rate p.a.	2.0%	5.0%

No impairment testing was undertaken for the PWR Performance Products CGU at 30 June 2015 given the trademark was acquired at its fair value on 30 June 2015 and the allocation of goodwill from the acquisition of C&R Racing was completed during the year ended 30 June 2016.

Section C Operating Assets and Liabilities (continued)

C7 Trade and other payables

Trade and other payables are carried at amortised cost.

	2016 $	2015 $
Trade payables	940,174	707,191
Trade payable to related parties (refer note H2)	-	89,296
Other payables	1,722,022	1,053,044
	2,662,196	1,849,531

Recognition and measurement

Trade and other payables are carried at amortised cost.

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

C8 Provisions

Warranties			
Carrying amount at beginning of year		99,688	-
Acquisition through business combination	*G1*	-	38,545
Provisions made during the year		17,693	61,143
Provisions used during the year		-	-
Provisions reversed during the year		-	-
Effect of movements in exchange rates		1,628	-
Balance at the end of the year		119,009	99,688

Recognition and measurement

Provisions

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

Warranties

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

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

Section D Employee Benefits

D1 Employee benefits

	2016	2015
Current	**$**	**$**
Annual leave liability	744,724	727,048
Long service leave liability	225,083	141,552
	969,807	868,600
Non-current		
Long service leave liability	123,765	115,960

During the year ended 30 June 2016, the Group contributed $711,406 (2015: $480,789) to defined contribution plans. These contributions are included in employee expenses in the statement of profit or loss and other comprehensive income.

Recognition and measurement

Short-term employee benefits

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

Long-term employee benefits

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

Termination benefits

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

Defined contribution funds

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

D2 Key management personnel compensation

Key management personnel compensation comprised the following:

Short-term employee benefits	1,988,581	800,709
Post-employment benefits	130,218	55,447
Other long term benefits	23,410	9,838
	2,142,209	865,994

Section E Taxation

E1 Income tax expense

	2016	2015
Current tax expense	**$**	**$**
Current period	4,585,616	3,619,717
(over)/under provision in prior period	-	47,986
	4,585,616	3,667,703
Deferred tax expense		
Origination and reversal of temporary differences	(861,093)	(55,330)
Over provision in prior period	-	(3,225)
	(861,093)	(58,555)
Total income tax expense	3,724,523	3,609,148
Numerical reconciliation between tax expense and pre-tax accounting profit		
Profit for the period	8,735,466	8,909,175
Total income tax expense	3,724,523	3,609,148
Profit excluding income tax	12,459,989	12,518,323
Income tax using the Company's domestic tax rate of 30%	3,737,997	3,755,497
Research and development expenses	(50,000)	(134,541)
Effect of tax rates in foreign jurisdictions	(43,296)	(56,570)
Other	79,822	44,762
	3,724,523	3,609,148

Recognition and measurement

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

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

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

Section E Taxation (continued)

E1 Income tax expense (continued)

Recognition and measurement (continued)

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

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

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

E2 Tax assets and liabilities

Current tax assets and liabilities

The current tax liability of $408,648 (2015: asset of $170,388) represents the amount of income tax receivable/payable in respect of current and prior periods to the relevant tax authority.

Movement in deferred tax balances

	Net balance at 1 July	Recognised in profit or loss	Recognised in equity	Acquired in business combination	Exchange rate movements	Net	Deferred tax assets	Deferred tax liabilities
2016	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Property, plant and equipment	(86,549)	86,549	-	-	-	-	-	-
Employee benefits	318,885	(19,238)	-	-	(14,270)	285,377	285,377	-
Accruals	150,222	135,439	-	-	(12,332)	273,329	273,329	-
Inventories	282,566	44,331	-	-	(3,965)	322,932	322,932	-
Unrealised foreign exchange	(70,070)	23,284	-	-	-	(46,786)	-	(46,786)
Tax losses	94,672	(94,672)	-	-	-	-	-	-
Capital raising costs	-	639,825	335,324	-	-	975,149	975,149	-
Other items	(33,581)	45,575	-	-	-	11,994	11,994	-
Net tax assets/(liabilities)	656,145	861,093	335,324	-	(30,567)	1,821,995	1,868,781	(46,786)
2015								
Property, plant and equipment	(70,598)	(15,951)	-	-	-	(86,549)	-	(86,549)
Employee benefits	167,159	52,159	-	97,231	2,336	318,885	318,885	-
Accruals	6,506	92,149	-	50,357	1,210	150,222	150,222	-
Inventories	-	(75,759)	-	349,917	8,408	282,566	282,566	-
Unrealised foreign exchange	-	(48,956)	(21,114)	-	-	(70,070)	-	(70,070)
Tax losses	-	94,672	-	-	-	94,672	94,672	-
Other items	6,178	(39,759)	-	-	-	(33,581)	-	(33,581)
Net tax assets/(liabilities)	109,245	58,555	(21,114)	497,505	11,954	656,145	846,345	(190,200)

Section F Capital Structure and Borrowings

F1 Loans and borrowings

	2016	2015
Current	**$**	**$**
Secured bank loans	-	4,726,556
Finance lease liability	396,621	852,888
	396,621	5,579,444
Non-current		
Secured bank loans	-	17,724,587
Finance lease liability	763,641	69,616
	763,641	17,794,203

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

Finance facilities

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

				2016		2015	
Facility	**Currency**	**Nominal interest rate**	**Maturity**	**Facility limit $**	**Carrying amount $**	**Facility limit $**	**Carrying amount $**
Trade finance	AUD	Variable	-	500,000	-	234,000	-
Corporate credit card	AUD	Variable	-	50,000	-	50,000	-
Domestic foreign currency	GBP	LIBOR+ 2.25%	2018	-	-	15,628,213	15,628,213
Domestic foreign currency	USD	LIBOR+ 2.25%	2018	-	-	6,822,930	6,822,930
Finance lease	AUD	5.4%-8.2%	2015-2017	5,000,000	1,160,262	2,500,000	922,504
Finance lease	AUD	-	-	-	-	2,000,000	-
				5,550,000	1,160,262	27,235,143	23,373,647

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

Finance leases

Finance lease liabilities are payable as follows:

	Future minimum lease payments		Interest		Present value of minimum lease payments	
	2016 $	**2015 $**	**2016 $**	**2015 $**	**2016 $**	**2015 $**
Less than one year	440,337	893,901	43,716	41,013	396,621	852,888
Between one and five years	822,956	71,672	59,315	2,056	763,641	69,616
More than five years	-	-	-	-	-	-
	1,263,293	965,573	103,031	43,069	1,160,262	922,504

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

Section F Capital Structure and Borrowings (continued)

F1 Loans and borrowings (continued)

Recognition and measurement

Non-derivative financial liabilities

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

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

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

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

Derivative financial instruments

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

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

Section F Capital Structure and Borrowings (continued)

F2 Capital and reserves

Share capital	2016 No. of shares	2016 $	2015 No. of shares	2015 $
Ordinary shares				
Balance at beginning of year	1,000,000	2,553,251	965,000	1
Issued for business combination (i)	-	-	35,000	2,553,250
Share subdivision (ii)	82,900,000	-	-	-
Issued for initial public offering (iii)	16,100,000	24,150,000	-	-
Transaction costs recognised during the year, net of tax	-	(782,425)	-	-
Balance at end of year	100,000,000	25,920,826	1,000,000	2,553,251

(i) Business combination

In March 2015, the Company issued 35,000 shares as partial consideration for a business combination, see note G1.

(ii) Share subdivision

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

(iii) Initial public offering

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

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

Recognition and measurement

Ordinary shares

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

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

Foreign currency translation reserve

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

Section F Capital Structure and Borrowings (continued)

F3 Dividends

Dividends recognised in the current year by the Company are:

2016	Dollars per share $	Total amount $	Franked/ unfranked	Date of payment
Interim 2016 ordinary	0.0062	620,000	Franked	8 April 2016
Total amount		620,000		
2015				
Final 2015 ordinary (i)	13.78	13,300,000	Franked	31 March 2015
Total amount		13,300,000		

(i) Dividends per share are stated post the impact of a 965,000 to 1 share split in March 2015

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

Dividend franking account

	2016	2015
30 percent franking credits available to shareholders of PWR Holdings Limited	832,804	27,090

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.

F4 Commitments

Operating leases

Non-cancellable operating leases are payable as follows:	2016 $	2015 $
Less than one year	1,443,038	1,438,180
Between one and five years	5,892,379	6,046,582
More than five years	4,896,929	6,188,293
	12,232,346	13,673,055

The Group leases its office and factory facilities under operating leases from related parties (refer note H2) as well as from non-related entities. During the financial year ended 30 June 2016 $1,404,746 was recognised as an expense in the income statement in respect of operating leases (2015: $974,480).

Recognition and measurement

Leased assets

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

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

Section F Capital Structure and Borrowings (continued)

F4 Commitments (continued)

Operating leases (continued)

Recognition and measurement (continued)

Lease payments

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

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

Other commitments

At 30 June 2016, the Group had agreed to purchase plant and equipment for $764,280 (2015: $723,000).

Section G Group Structure

G1 Business combinations

There were no business combinations during the 2016 financial year.

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

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

In the period 28 March 2015 to 30 June 2015, C&R Racing contributed revenue of $3.1 million and net loss after tax of $0.2 million to the Group's results. If the acquisition had occurred on 1 July 2014, management estimates that consolidated revenue would have been $41.5 million and consolidated profit for the year would have been $9.1 million. In determining these amounts, management have assumed that the fair value adjustments, determined provisionally, that arose on the acquisition date would have been the same if the acquisition had occurred on 1 July 2014.

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

Consideration transferred	**Note**	**2015 $**
Cash		6,894,615
Equity instruments issued (35,000 ordinary shares)	*F2*	2,553,250
		9,447,865

Equity instruments issued

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

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

Section G Group Structure (continued)

G1 Business combinations (continued)

Goodwill

Goodwill was recognised as a result of the acquisition as follows:	2015 $
Total consideration transferred	9,447,865
Fair value of identifiable net assets	6,335,720
	3,112,145

Goodwill was allocated to the following CGUs for impairment testing:	
PWR Performance Products	1,931,000
C&R Racing	1,181,145
	3,112,145

During the period, the Group completed the allocation of goodwill recognised in the acquisition of C&R Racing to the group's CGU's expected to benefit from the synergies of the acquisition, refer note C6.

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

Acquisition-related costs

The Group incurred acquisition-related costs of $100,750 related to external legal fees and due diligence costs. These costs have been included in "Professional Fees" in other expenses in the Group's consolidated statement of profit or loss and other comprehensive income.

Recognition and measurement

Basis of consolidation

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

Subsidiaries

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

Transactions eliminated on consolidation

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

Section G Group Structure (continued)

G2 Parent entity information

As at and throughout the financial year ended 30 June 2016, the parent and ultimate parent entity of the Group was PWR Holdings Limited.

	2016	2015
Statement of profit or loss and other comprehensive income	**$**	**$**
Profit/(Loss) after income tax	617,316	13,283,712
Total comprehensive income	617,316	13,283,712
Statement of financial position		
Total current assets	68,363	52,214
Total non-current assets	25,537,525	13,811,170
Total assets	25,605,888	13,863,384
Total current liabilities	78,038	3,694
Total non-current liabilities	-	11,361,407
Total liabilities	78,038	11,365,101
Net assets	25,527,850	2,498,283
Equity		
Issued capital	25,585,502	2,553,251
Retained earnings	(57,652)	(54,968)
Total equity	25,527,850	2,498,283

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 2016.

Capital commitments

The parent entity had no capital commitments for property, plant and equipment at 30 June 2016.

Significant accounting policies

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

Section G Group Structure (continued)

G3 Controlled entities

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

	Country of incorporation	Ownership interest 2016 %	2015 %
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 UK Holdings Pty Ltd (i)	Australia	-	100
PWR USA Holdings Pty Ltd (i)	Australia	-	100
PWR USA Inc (i)	USA	-	100

(i) Deregistered in the 2016 financial year

Section H Other Information

H1 Financial risk management

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

- credit risk
- liquidity risk
- market risk

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

Risk management framework

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

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

Credit risk

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry and country in which customers operate. Further details of concentration of revenue are included in Note B1.

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

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

		Carrying amount	
	Note	**2016**	**2015**
		$	**$**
Cash and cash equivalents	*C1*	8,796,805	1,005,861
Trade and other receivables	*C2*	4,089,710	4,314,617
Derivative financial assets	*C4*	-	1,000,924
		12,886,515	6,321,402

Cash and cash equivalents

The Group held cash and cash equivalents of $8,796,805 at 30 June 2016 (2015: $1,005,861), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with bank and financial institution counterparties, which are rated AA- to AA+, based on independent rating agency ratings.

Section H Other Information (continued)

H1 Financial risk management (continued)

Credit risk (continued)

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.

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	
	2016	**2015**
	$	**$**
Australia	1,135,783	2,467,678
UK	1,620,964	847,658
USA	1,332,963	999,281
	4,089,710	4,314,617

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

Not past due	3,136,387	3,371,168
Past due 1-30 days	771,742	685,694
Past due 31-60 days	157,088	102,338
Past due > 61 days	24,493	155,417
	4,089,710	4,314,617

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

No impairment losses were recognised in respect of trade and other receivables in the current or prior year.

Revenue from one major customer represents approximately 8.64% (2015: 13.98%) of the Group's total revenue and 5.5% (2015: 5.9%) of trade and other receivables.

Liquidity risk

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

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

- $500,000 trade finance facility;
- $5,000,000 asset finance facility; and
- $50,000 corporate credit card facility.

Section H Other Information (continued)

H1 Financial risk management (continued)

Liquidity risk (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	Contractual cash flows Total	12 months	1-5 years	More than 5 years
2016		**$**	**$**	**$**	**$**	**$**
Trade and other payables	*C7*	2,662,196	(2,662,196)	(2,662,196)	-	-
Finance lease liabilities	*F1*	1,160,262	(1,263,293)	(440,337)	(822,956)	-
		3,822,458	(3,925,489)	(3,102,533)	(822,956)	
2015						
Trade and other payables	*C7*	1,849,531	(1,849,531)	(1,849,531)	-	-
Finance lease liabilities	*F1*	922,504	(965,573)	(893,901)	(71,672)	-
Secured bank loans	*F1*	22,451,143	(23,925,297)	(5,277,339)	(18,647,958)	-
		25,223,178	(26,740,401)	(8,020,771)	(18,719,630)	-

Market risk

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

Currency risk

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

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

Exposure to currency risk

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

	Note	30 June 2016 AUD	GBP	USD	30 June 2015 AUD	GBP	USD
Trade receivables	*C2*	518,034	914,775	1,410,291	116,487	900,282	2,149,112
Trade payables	*C7*	(336,161)	(177,850)	(94,307)	(299,094)	(98,883)	(309,214)
Secured bank loans	*F1*	-	-	-	(922,504)	(15,628,213)	(6,822,930)
Net statement of financial position exposure		181,873	736,925	1,315,984	(1,105,111)	(14,826,814)	(4,983,032)
Forward exchange contracts		-	-	-	-	14,805,676	7,182,032
Net exposure		181,873	736,925	1,315,984	(1,105,111)	(21,138)	2,199,000

Section H Other Information (continued)

H1 Financial risk management (continued)

Market risk (continued)

Currency risk (continued)

Sensitivity analysis

A strengthening (weakening) of the GBP or USD against the AUD at 30 June would have affected the measurement of financial instruments denominated in a foreign currency and increased or (decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases. The analysis is performed on the same basis for 2015, albeit that the reasonably possible foreign exchange rate variances were different, as indicated below.

	Profit or loss (net of tax)		Equity (net of tax)	
	Strengthening	**Weakening**	**Strengthening**	**Weakening**
30 June 2016	**$**	**$**	**$**	**$**
GBP (10% movement)	84,909	(93,400)	84,909	(93,400)
USD (10% movement)	113,737	(125,111)	113,737	(125,111)
30 June 2015				
GBP (10% movement)	1,345	(1,480)	1,345	(1,480)
USD (10% movement)	(139,936)	153,930	(139,936)	153,930

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	
	2016	**2015**
Fixed rate instruments	**$**	**$**
Financial assets	-	-
Financial liabilities	(1,160,262)	(922,504)
	(1,160,262)	(922,504)
Variable rate instruments		
Financial assets	8,796,805	1,005,861
Financial liabilities	-	(22,451,143)
	8,796,805	(21,445,282)

Section H Other Information (continued)

H1 Financial risk management (continued)

Market risk (continued)

Interest rate risk (continued)

Cash flow sensitivity analysis for variable rate instruments

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

	Profit or loss (net of tax)		Equity (net of tax)	
	100bp increase	100bp decrease	100bp increase	100bp decrease
30 June 2016	$	$	$	$
Variable rate instruments	62,499	(62,499)	62,499	(62,499)
Cash flow sensitivity (net)	62,499	(62,499)	62,499	(62,499)
30 June 2015				
Variable rate instruments	(150,117)	150,117	(150,117)	150,117
Cash flow sensitivity (net)	(150,117)	150,117	(150,117)	150,117

Fair values

The fair values of the Group's financial assets and liabilities approximate their carrying amounts recognised in the statement of financial position. The fair value of the derivative financial assets at 30 June 2015 of $1,000,924 was measured using valuation techniques based on observable market inputs and is considered to be Level 2 in the fair value hierarchy. The Group has no derivatives at 30 June 2016.

At 30 June 2016, the fair value of financial instruments approximate their carrying value.

Capital management

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

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

Section H Other Information (continued)

H2 Related party information

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

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

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

		Transaction values during year		Balance outstanding Receivable/(Payable)	
		2016	2015	2016	2015
Entity	**Transaction**	**$**	**$**	**$**	**$**
PWR Property Holdings Pty Ltd (i)	Property rent	878,757	746,019	-	(75,061)
PWR IP Trust (ii)	Purchase of trademark	-	8,432,116	-	-
Redback Radiators Pty Ltd (iii)	Sales of goods	14,239	15,989	-	1,895
	Sales of assets	-	66,745	-	-
	Administrative services	-	60,000	-	5,500
	Purchase of products	69,207	91,927	-	(14,235)
Innotherm Pty Ltd (iv)	Sales of goods	640	3,537	704	-
	Administrative services	8,000	12,000	-	1,100
Bayswater Road Radiators Pty Ltd (v)	Sales of goods	44,847	69,964	11,004	2,744
Paulsen Properties LLC (vi)	Property rent	260,462	83,574	-	-
JG Parker Properties LLC (vi)	Property rent	104,340	33,463	-	-

(i) The Group leases its Australian head office and factory facilities from an entity associated with Kees and Paul Weel.
(ii) The Group acquired a trademark from an entity associated with Kees and Paul Weel. The purchase price was based on the fair value of the trademark determined using the relief from royalty method.
(iii) Redback Radiators Pty Ltd is an entity that was associated with Kees Weel until 18 May 2016, which purchases goods and/or assets from the Group and sells products to the Group. The Group provided administrative services to Redback Radiators Pty Ltd in the prior year.
(iv) Innotherm Pty Ltd is an entity that was associated with Kees Weel until 16 February 2016, which purchases goods from the Group. The Group provided administrative services to Innotherm Pty Ltd.
(v) Bayswater Road Radiators Pty Ltd is an entity associated with Kees Weel, which purchases goods from the Group.
(vi) The Group leases its USA office and factory facilities from entities associated with Chris Paulsen, who was KMP until 25 January 2016.

H3 Auditors' Remuneration

	2016	2015
Audit services	**$**	**$**
Auditors of the Group		
KPMG		
Audit of financial reports	135,969	129,276
Accountability GB		
Audit of financial reports	16,273	13,190
Other services		
Auditors of the Group		
KPMG	-	-
Accountability GB		
Taxation Services	1,633	1,837

Section H Other Information (continued)

H4 Subsequent events

The Board declared a fully franked final dividend of 3.78 cents per share. The financial effect of the 2016 declared final dividend has not been brought to account in the consolidated financial statements for the year ended 30 June 2016.

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

H5 New accounting standards

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2015, and have not been applied in preparing these consolidated financial statements.

AASB 9 (2014) Financial Instruments

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

AASB 15 Revenue from Contracts with Customers

AASB 15 establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. AASB 15 is effective for annual financial reporting periods beginning on or after 1 January 2018. The Group has not determined the extent of the impact of the new standard and does not currently plan to adopt it early.

AASB 16 Leases

AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. AASB 16 is effective for annual financial reporting periods beginning on or after 1 January 2019. The Group has not determined the extent of the impact of the new standard and does not currently plan to adopt it early.

PWR Holdings Limited
and its controlled entities
Directors' declaration
For the year ended 30 June 2016

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 21 to 57 and the Remuneration report in section 16 in the Directors' report, are in accordance with the Corporations Act 2001, including:
      (i) giving a true and fair view of the Group's financial position as at 30 June 2016 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. 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 2016.
3. 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
Managing Director

Bob Thorn
Chairman

Dated at Brisbane this 25th day of August 2016

Independent auditor's report to the members of PWR Holdings Limited

Report on the financial report

We have audited the accompanying financial report of PWR Holdings Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes A to H5 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note A2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

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

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

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

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

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

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

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note A2.

Report on the Remuneration Report

We have audited the Remuneration Report included in Section 16 of the Directors' Report for the year ended 30 June 2016. 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 responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the Remuneration Report of PWR Holdings Limited for the year ended 30 June 2016 complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Jason Adams
Partner

Brisbane
25 August 2016

ASX additional information

Shareholdings as at 19 August 2016

Substantial shareholders

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

Shareholder	Number
PWR Holdings Limited[1]	45,514,000
KPW Property Holdings Pty Ltd	38,368,500

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

Voting rights

Ordinary shares

Refer to Note F1 in the financial statements

Distribution of equity security holders

Category	Number of Ordinary shares	Number of Security Holders
1 – 1,000	174,488	267
1,001 – 5,000	5,753,047	1,847
5,001 – 10,000	7,791,227	1,041
10,001 – 100,000	11,540,143	532
100,001 and over	74,741,095	25
	100,000,000	**3,712**

The number of shareholders holding less than a marketable parcel of ordinary shares is 22.

Securities Exchange

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

Other information

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

On-market buy-back

There is no current on-market buy-back.

ASX additional information

Twenty largest shareholders

Rank	Name	Number of ordinary shares held	Percentage of capital held %
1	KPW Property Holdings Pty Ltd	38,368,500	38.37
2	Citicorp Nominees Pty Limited	5,435,844	5.44
3	HSBC Custody Nominees (Australia) Limited	5,136,428	5.14
4	J P Morgan Nominees Australia Limited	4,991,405	4.99
5	MAMLEC Pty Ltd	4,209,000	4.21
6	National Nominees Limited	4,039,944	4.04
7	Mr Chris Bryan Paulsen	2,936,500	2.94
8	RBC Investor Services Australia Nominees Pty Limited	2,500,599	2.50
9	UBS Nominees Pty Ltd	1,771,477	1.77
10	BNP Paribas Noms Pty Ltd	978,579	0.98
11	RBC Investor Services Australia Pty Limited	938,908	0.94
12	BNP Paribas Nominees Pty Ltd	554,474	0.55
13	RT Developments Pty Ltd	400,000	0.40
14	Truebell Capital Pty Ltd	360,000	0.36
15	Dr David John Ritchie + Dr Gillian Joan Ritchie	300,000	0.30
16	Ms Deslea Mary Sneddon	296,243	0.30
17	Citicorp Nominees Pty Limited	270,121	0.27
18	Bond Street Custodians Limited	244,173	0.24
19	Hampton Pty Ltd	175,000	0.18
20	AMP Life Limited	164,384	0.16
	Top 20 holders of ordinary fully paid shares	**74,071,579**	**74.07**
	Total remaining holders balance	**25,928,421**	**25.93**

Offices and officers

Directors

Bob Thorn
Kees Weel
Jeffrey Forbes
Teresa Handicott

Company Secretary

Lisa Dalton

Principal Registered Office

PWR Holdings Limited
103 Lahrs Road
Ormeau, 4208
Queensland

Locations of Share Registry

Computershare Investor Services Pty Ltd
117 Victoria Street
West End, 4101
Queensland