

**PWR Holdings Pty Ltd
and its controlled entities
ACN:105 326 850**

Annual Financial Report

30 June 2014

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**PWR Holdings Pty Ltd
and its controlled entities**

**Directors' report
For the year ended 30 June 2014**

The directors present their report together with the financial report of PWR Holdings Pty Ltd (the "Company") and its controlled entities (the "Group") for the year ended 30 June 2014 and the auditor's report thereon.

Directors

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

Director	Appointed
Kees Cornelius Weel	30 June 2003
Paul Anthony Weel	18 September 2009

The Company's registered office is Suite 1401, Level 14, The Rocket, 203 Robina Town Centre Drive, Robina, Queensland 4226 and principal place of business is 103 Lahrs Road, Ormeau, Queensland 4208.

Officers who were previously partners of the audit firm

There were no officers of the Company during the financial year who were previously partners of the current audit firm, KPMG, at a time when KPMG undertook an audit of the Company.

Principal activities

The principal activities of the Group during the course of the financial year were the design, manufacture and sales of specialised aluminium cooling products and solutions to the motorsport and specialist automotive, military, avionics, original equipment manufacturing and automotive aftermarket industries for domestic and international markets.

There were no other significant changes in the nature of the activities of the Group during the year.

Operating and financial review

The net profit after tax of the Group for the year ended 30 June 2014 was \$5,842,717.

During the year the Group continued its growth in both domestic and international markets.

Other than the matters noted above, in the opinion of the Directors, there were no significant changes in the state of affairs of the Group that occurred during the financial year under review.

Comparative information

As this is the first financial report of the Group, no comparative information is presented in this financial report.

Significant changes in the state of affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the Group that occurred during the financial year under review.

Dividends

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

2014	Dollars per share	Total amount	Franked/ unfranked	Date of payment
	\$	\$		
Final 2014 ordinary	7,000,000	7,000,000	Franked	24 June 2014
Total amount		<u>7,000,000</u>		

No dividends were paid or declared in the previous financial year.

**PWR Holdings Pty Ltd
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Directors' report

For the year ended 30 June 2014

Share options

No share options were issued in the current or prior periods.

Environmental regulation

The Group is subject to various environmental regulations under both Commonwealth and State legislation.

The Directors believe that the Group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Group during the period covered by this report.

Events subsequent to reporting date

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.

Likely developments

The Group will continue to pursue its policy of increasing profitability and market share in the markets within which it operates 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.

Indemnification and insurance of officers and auditors

Indemnification

Since the end of the previous financial year, the Group has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been an officer or auditor of the Group.

Insurance premiums

During the financial year the Group has not paid premiums in respect of directors' and officers' liability and legal expenses insurance contracts for the year ended 30 June 2014 and since the financial year, the Group has not paid or agreed to pay premiums in respect of such insurance contracts for the year ending 30 June 2015. Such insurance contracts insure against certain liability (subject to specific exclusions) persons who are or have been directors or executive officers of the Group.

This report is made with a resolution of the directors:



Kees Weel
Director

Dated at Brisbane, this 26th day of November 2014.

**PWR Holdings Pty Ltd
and its controlled entities**

Consolidated Statement of Financial Position

At 30 June 2014

	<i>Note</i>	2014
		\$
Assets		
Current assets		
Cash and cash equivalents	<i>9a</i>	1,638,984
Trade and other receivables	<i>10</i>	2,748,573
Inventories	<i>11</i>	2,841,061
Other assets	<i>13</i>	212,917
Total current assets		<u>7,441,535</u>
Non-current assets		
Property, plant and equipment	<i>14</i>	3,523,131
Other assets	<i>13</i>	62,616
Deferred tax assets	<i>12</i>	109,245
Total non-current assets		<u>3,694,992</u>
Total assets		<u>11,136,527</u>
Liabilities		
Current liabilities		
Trade and other payables	<i>15</i>	798,589
Loans and borrowings	<i>16</i>	535,411
Employee benefits	<i>17</i>	438,141
Current tax liabilities	<i>12</i>	1,607,121
Total current liabilities		<u>3,379,262</u>
Non-current liabilities		
Loans and borrowings	<i>16</i>	963,943
Employee benefits	<i>17</i>	119,056
Total non-current liabilities		<u>1,082,999</u>
Total liabilities		<u>4,462,261</u>
Net assets		<u>6,674,266</u>
Equity		
Issued capital	<i>18</i>	1
Reserves		110,299
Retained earnings		6,563,966
Total equity		<u>6,674,266</u>

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

**PWR Holdings Pty Ltd
and its controlled entities**

**Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2014**

	<i>Note</i>	2014
		\$
Revenue		22,478,214
Cost of sales		<u>(8,001,001)</u>
Gross profit		14,477,213
Other income	5	121,996
Depreciation and amortisation		(796,607)
Royalty expenses		(1,042,249)
Occupancy expenses		(751,297)
Employee expenses		(2,489,285)
Other expenses	6	<u>(1,186,983)</u>
Results from operating activities		8,332,788
Finance income		10,263
Finance costs		<u>(221,804)</u>
Net finance costs	7	<u>(211,541)</u>
Profit before income tax		8,121,247
Income tax expense	8	<u>(2,278,530)</u>
Profit for the period		<u>5,842,717</u>
Other comprehensive income		
Exchange differences on translating foreign operations		<u>39,795</u>
Total comprehensive income for the period		<u>5,882,512</u>

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

**PWR Holdings Pty Ltd
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Consolidated Statement of Changes in Equity

For the year ended 30 June 2014

	Share capital \$	Foreign currency translation reserve \$	Retained earnings \$	Total equity \$
Balance at 1 July 2013	1	70,504	7,721,249	7,791,754
Total comprehensive income for the year				
Profit for the year	-	-	5,842,717	5,842,717
Other comprehensive income	-	39,795	-	39,795
Total comprehensive income	-	39,795	5,842,717	5,882,512
Transactions with owners, recorded directly in equity				
Dividends	-	-	(7,000,000)	(7,000,000)
Total transactions with owners	-	-	(7,000,000)	(7,000,000)
Balance at 30 June 2014	1	110,299	6,563,966	6,674,266

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

**PWR Holdings Pty Ltd
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Consolidated Statement of Cash Flows

For the year ended 30 June 2014

	<i>Note</i>	2014
Cash flows from operating activities		\$
Cash receipts from customers		21,654,155
Cash paid to suppliers and employees		<u>(13,639,251)</u>
Cash generated from operating activities		8,014,904
Interest paid		(187,272)
Income tax paid		<u>(1,481,581)</u>
Net cash from operating activities	<i>9b</i>	<u>6,346,051</u>
 Cash flows from investing activities		
Government grant income received		65,096
Interest received		10,263
Insurance refund received		3,600
Proceeds from sale of property, plant and equipment		127,629
Payments for property, plant and equipment		<u>(268,510)</u>
Net cash used in investing activities		<u>(61,922)</u>
 Cash flows from financing activities		
Dividends paid		(3,000,000)
Loans to related parties		(2,422,910)
Payment of finance lease liabilities		<u>(495,412)</u>
Net cash used in financing activities		<u>(5,918,322)</u>
 Net increase in cash and cash equivalents		365,807
Cash and cash equivalents at 1 July		1,270,447
Effect of exchange rate fluctuations on cash held		<u>2,730</u>
Cash and cash equivalents at 30 June	<i>9a</i>	<u>1,638,984</u>

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

**PWR Holdings Pty Ltd
and its controlled entities**

**Notes to the consolidated financial statements
For the year ended 30 June 2014**

1. Reporting entity

PWR Holdings Pty Ltd (the "Company") is a Company domiciled in Australia incorporated on 30 June 2003. The Company's registered office is Suite 1401, Level 14, The Rocket, 203 Robina Town Centre Drive, Robina, Queensland 4226 and principal place of business is 103 Lahrs Road, Ormeau, Queensland 4208.

The consolidated financial statements of the Company as at and for the year ended 30 June 2014 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group Entities"). The Group is involved in the design, manufacture and sales of specialised aluminium cooling products and solutions to the motorsport and specialist automotive, military, avionics, original equipment manufacturing and automotive aftermarket industries for domestic and international markets.

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

In the opinion of the Directors, the Company is not a reporting entity. The financial report is drawn up as a special purpose financial report for distribution to the members. The Company has elected not to include comparative figures in the financial statements.

2. Basis of preparation

(a) Statement of compliance

The special purpose financial report has been prepared in accordance with the recognition and measurement aspects of all applicable Australian Accounting Standards ("AASBs") adopted by the Australian Accounting Standards Board ("AASB"), as determined by directors of the Company.

Not all disclosure requirements of AASBs have been complied with.

The financial statements were approved by the Board of Directors on 26 November 2014.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- financial instruments at fair value through profit or loss are measured 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) Comparative information

As this is the first consolidated financial report of the Group, no comparative information is presented in this consolidated financial report.

(e) Use of estimates and judgements

The preparation of 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.

**PWR Holdings Pty Ltd
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Notes to the consolidated financial statements

For the year ended 30 June 2014

2. Basis of preparation (cont)

(f) Change in accounting policy

Except for the changes below, the Group has consistently applied the accounting policies set out in Note 3 to all periods presented in these consolidated financial statements. The Group has adopted the following new standards, amendments to standards and interpretations, including any consequential amendments to other standards, with a date of initial application of 1 January 2013.

- AASB 10 Consolidated Financial Statements
- AASB 12 Disclosure of Interests in Other Entities
- AASB 19 Employee Benefits

AASB 10 Consolidated Financial Statements

As a result of AASB 10, the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. AASB 10 (2011) introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.

In accordance with the transitional provisions of AASB 10, the Group reassessed the control conclusion for its investees at 1 January 2013. There were no changes in the Group's control conclusion in respect of its investments which were previously accounted for as an associate using the equity method and no changes to the Group's financial position, comprehensive income and cash flows as a result of AASB 10 implementation.

AASB 12 Disclosure of Interests in Other Entities

As a result of AASB 12, the Group has considered its disclosures about its interests in subsidiaries. The impact of the changes was not material.

AASB 19 Employee Benefits

In the current year, the Group adopted AASB 119 Employee Benefits (2011), which revised the definition of short term employee benefits to benefits that are expected to be settled wholly within 12 months after the end of the annual reporting period in which employees rendered the related service.

As a result of the change, the annual leave liability for certain of the Group's employees is now considered to be another long term employee benefit, when previously it was a short term benefit.

The Group's obligation is determined as the amount of future benefit that employees have earned in return for their service in the current and prior periods, applying actuarial assumptions, discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

The Group has applied the new policy retrospectively in accordance with the transitional provision of the standard.

**PWR Holdings Pty Ltd
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Notes to the consolidated financial statements

For the year ended 30 June 2014

3. Significant accounting policies

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

(a) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. 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.

(b) Foreign currency

Foreign currency transactions

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 at the reporting date are retranslated to the functional currency as the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value in a foreign currency are retranslated to the functional currency at the exchange rate at the date that 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 arising on retranslation are generally recognised in profit or loss.

Foreign operations

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

(c) Financial Instruments

Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including designated at fair value through profit or loss) 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 asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

**PWR Holdings Pty Ltd
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Notes to the consolidated financial statements

For the year ended 30 June 2014

3. Significant accounting policies (cont)

(c) Financial Instruments (cont)

Non-derivative financial assets (cont)

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: loans and receivables.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise cash and cash equivalents and trade and other receivables.

Cash and cash equivalents

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.

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.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the net asset and settle the liability simultaneously.

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.

The Group has the following non-derivative financial liabilities: loans and borrowings, and trade and other payables.

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.

Share capital

Ordinary shares

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

Dividends

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

**PWR Holdings Pty Ltd
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Notes to the consolidated financial statements

For the year ended 30 June 2014

3. Significant accounting policies (cont)

(d) Property, plant and equipment

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. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line and/or diminishing basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. 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:

	2014
• Plant and equipment	2-7 years
• Motor vehicles	4-6 years

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

**PWR Holdings Pty Ltd
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Notes to the consolidated financial statements

For the year ended 30 June 2014

3. Significant accounting policies (cont)

(e) Inventories

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

The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Cost also may include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of inventories.

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

(f) Impairment

Non-derivative financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restricting of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Loans and receivables and held-to-maturity securities

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance amount against loans and receivables or held-to-maturity investment securities. Interest on the impaired asset continues to be recognised. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease the decrease in impairment loss is reversed through profit or loss.

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.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

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.

**PWR Holdings Pty Ltd
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Notes to the consolidated financial statements

For the year ended 30 June 2014

3. Significant accounting policies (cont)

(f) Impairment (cont)

Non-derivative financial assets (cont)

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs all allocated to reduce the carrying amount of assets in the CGU (group of CGUs) on a pro rata basis.

(g) Employee benefits

Short-term employee benefits

Liabilities for employee benefits for wages and salaries (including non-monetary benefits) and annual leave to be settled within 12 months of the reporting date representing present obligations resulting from employees' services provided up to the reporting date, calculated at undiscounted amounts based on remuneration rates that the Group expects to pay including related on-costs.

Long-term employee benefits

Liabilities for employee benefits for wages and salaries (including non-monetary benefits) and annual leave expected to be settled wholly over a period longer than 12 months after the reporting date, representing present obligations resulting from employee's services provided up to the reporting date, are the discount present value of the estimated future cash outflows to be made based on the remuneration rates that the Group expects to pay including related on-costs. Such liabilities remain classified as current liabilities as they are vesting, but have been discounted using an appropriate discount rate due to the expectation they will be settled wholly over a period of longer than 12 months after reporting date.

Termination benefits

Termination benefits are recognised as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

(h) Revenue recognition

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, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that 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. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

The timing of transfers of risks and rewards varies depending on the individual terms of the contract of sale. For sales of goods, usually transfer occurs when the product is received at the customer's warehouse; however, for some international shipments transfer occurs upon loading the goods onto the relevant carrier at the port of the seller. Generally for such products the buyer has no right of return. For sales of goods, transfer occurs upon receipt by the customer.

**PWR Holdings Pty Ltd
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Notes to the consolidated financial statements

For the year ended 30 June 2014

3. Significant accounting policies (cont)

(h) Revenue recognition (cont)

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.

Government grants

An unconditional government grant is recognised in profit or loss as other income when the grant becomes receivable.

(i) Leases

Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured 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 asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised in the Group's statement of financial position.

Lease payments

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

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

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

(j) Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, and changes in the fair value of financial assets 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, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, and impairment losses recognised on financial assets. 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.

**PWR Holdings Pty Ltd
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Notes to the consolidated financial statements

For the year ended 30 June 2014

3. Significant accounting policies (cont)

(k) Interest-bearing loans and liabilities

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.

(l) 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.

(m) Income tax

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

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of goodwill, the initial recognition of assets and liabilities that affect neither accounting or taxable profit, and difference relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

**PWR Holdings Pty Ltd
and its controlled entities**

Notes to the consolidated financial statements

For the year ended 30 June 2014

3. Significant accounting policies (cont)

(n) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as current asset or liability in the statement of financial position.

Cashflows are included in the statement of cashflows on a gross basis. The GST components of cashflows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cashflows.

(o) 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 January 2014, and have not been applied in preparing these consolidated financial statements.

None of these are expected to have a significant effect on the financial statements of the Group, except for AASB9 Financial Instruments, which becomes mandatory for the Company's 2016 financial statements and could change the classification and measurement of financial assets. The Group has not assessed the extent of the impact as yet.

4. 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.

Inventories

The fair value of inventories is based on its estimated selling price on the ordinary course of business less the estimated cost of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Property, plant and equipment

The fair value of property, plant and equipment is based on the market approach or cost approaches using quoted market prices for similar items when available and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

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.

**PWR Holdings Pty Ltd
and its controlled entities**

Notes to the consolidated financial statements

For the year ended 30 June 2014

	2014 \$
5. Other income	
Government grant income	65,096
Other income	56,900
	<u>121,996</u>
6. Other expenses	
Professional fees	127,645
Travel costs	253,494
Motor vehicle costs	181,016
Loss on sale of property, plant and equipment	145,542
Other expenses	479,286
	<u>1,186,983</u>
7. Finance income and expense	
Interest income	10,263
Interest expense	(127,892)
Borrowing costs	(59,380)
Net foreign exchange loss	(34,532)
	<u>(221,804)</u>
Net finance costs	<u>(211,541)</u>
8. Income tax expense	
Current tax expense	
Current period	2,348,749
Under provision in prior period	-
	<u>2,348,749</u>
Deferred tax expense	
Origination and reversal of temporary differences	(70,219)
	<u>(70,219)</u>
Total income tax expense	<u>2,278,530</u>
Numerical reconciliation between tax expense and pre-tax accounting profit	
Profit for the period	5,842,717
Total income tax expense	2,278,530
Profit excluding income tax	<u>8,121,247</u>
Income tax using the Company's domestic tax rate of 30%	2,436,374
Research and development expenses	(118,020)
Effect of tax rates in foreign jurisdictions	(39,824)
	<u>2,278,530</u>

**PWR Holdings Pty Ltd
and its controlled entities**

Notes to the consolidated financial statements

For the year ended 30 June 2014

	2014 \$
9a. Cash and cash equivalents	
Bank balances	1,622,064
Cash on hand	16,920
Cash and cash equivalents in the statement of cash flows	<u>1,638,984</u>
9b. Reconciliation of cash flows from operating activities	
Cash flows from operating activities	
Profit for the year	5,842,717
Adjustments for:	
Depreciation and amortisation	796,607
Net foreign exchange loss	34,532
Loss on sale of property, plant and equipment	145,542
Changes in:	
Trade and other receivables	(939,428)
Inventories	(617,620)
Other assets	(126,918)
Trade and other payables	341,780
Employee benefits	71,889
Tax balances	796,950
Net cash from operating activities	<u>6,346,051</u>
10. Trade and other receivables	
Trade receivables	<u>2,748,573</u>
11. Inventories	
Raw materials	1,182,213
Work in progress	250,000
Finished goods	1,267,954
Consumables	140,894
	<u>2,841,061</u>

**PWR Holdings Pty Ltd
and its controlled entities**

Notes to the consolidated financial statements

For the year ended 30 June 2014

12. Tax assets and liabilities

Current tax assets and liabilities

The current tax liability of \$1,607,121 represents the amount of income tax payable in respect of current and prior periods to the relevant tax authority.

Recognised deferred tax assets and liabilities

	Assets	2014 Liabilities	Net
	\$	\$	\$
Property, plant and equipment	-	70,598	70,598
Employee benefits	(167,159)	-	(167,159)
Accruals	(6,506)	-	(6,506)
Other items	(6,178)	-	(6,178)
Net tax (assets) / liabilities	(179,843)	70,598	(109,245)

2014

\$

13. Other assets

Current

Prepayments
Deposits

59,130

153,787

212,917

Non-current

Prepayments
Other assets

57,280

5,336

62,616

**PWR Holdings Pty Ltd
and its controlled entities**

Notes to the consolidated financial statements

For the year ended 30 June 2014

	2014 \$
14. Property, plant and equipment	
Plant and equipment – at cost	6,469,499
Accumulated depreciation	(3,297,505)
	<u>3,171,994</u>
Motor vehicles – at cost	599,447
Accumulated depreciation	(307,847)
	<u>291,600</u>
Under construction	59,537
	<u>3,523,131</u>
Reconciliations	
Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:	
<i>Plant and equipment</i>	
Carrying amount at beginning of period	3,290,757
Additions	534,393
Disposals	(3,321)
Depreciation	(651,888)
Effect of movements in exchange rates	2,053
Carrying amount at end of year	<u>3,171,994</u>
<i>Motor vehicles</i>	
Carrying amount at beginning of period	703,884
Additions	60,367
Disposals	(333,416)
Depreciation	(139,502)
Effect of movements in exchange rates	267
Carrying amount at end of year	<u>291,600</u>
15. Trade and other payables	
Trade payables	289,438
Payables to related parties	63,953
Other payables	445,198
	<u>798,589</u>

**PWR Holdings Pty Ltd
and its controlled entities**

Notes to the consolidated financial statements

For the year ended 30 June 2014

2014

\$

16. Loans and borrowings

Current

Finance lease liability and other interest bearing loans	535,411
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Non-current

Finance lease liability and other interest bearing loans	963,943
--	---------

Finance facilities

The Group has access to the following finance facilities at 30 June 2014:

Facility	Nominal interest rate	Year of maturity	Facility Limit \$	Drawn at 30 June 2014 \$	Undrawn at 30 June 2014
					\$
Trade finance	Variable	-	234,000	-	234,000
Corporate credit card	Variable	-	50,000	-	50,000
Commercial bill	BBSY+3.09%	36 months after drawdown	5,000,000	-	5,000,000
Commercial bill	BBSY+3.09%	30 months after drawdown	4,000,000	-	4,000,000
Finance lease	5.4%-8.2%	2015-2017	2,500,000	1,499,354	1,000,646
			11,784,000	1,499,354	10,284,646

Finance leases

Finance lease liabilities are payable as follows:

	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	628,106	92,695	535,411
Between one and five years	1,009,884	45,941	963,943
More than five years	-	-	-
	1,637,990	138,636	1,499,354

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

**PWR Holdings Pty Ltd
and its controlled entities**

Notes to the consolidated financial statements

For the year ended 30 June 2014

	2014 \$
17. Employee benefits	
Current	
Annual leave liability	364,166
Long service leave liability	73,975
	<u>438,141</u>
Non-current	
Long service leave liability	<u>119,056</u>
18. Issued capital	
Issued and paid up capital	
1 fully paid ordinary share	<u>1</u>

Ordinary shares

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

Dividends

Dividends recognised in the current year by the Company are:

	Dollars per share	Total amount	Franked/ unfranked	Date of payment
2014	\$	\$		
Final 2014 ordinary	7,000,000	7,000,000	Franked	24 June 2014
Total amount		<u>7,000,000</u>		

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

Dividend franking account

	2014
30 percent franking credits available to shareholder of PWR Holdings Pty Ltd	<u>391,520</u>

19. Operating leases

	2014 \$
Non-cancellable operating leases are payable as follows:	
Less than one year	644,052
Between one and five years	-
More than five years	-
	<u>644,052</u>

The Group leases its office and factory facility from a related party under an operating lease.

**PWR Holdings Pty Ltd
and its controlled entities**

Notes to the consolidated financial statements

For the year ended 30 June 2014

20. Subsequent events

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.

21. Parent entity information

As at and throughout the financial year ending 30 June 2014, the parent entity of the Group was PWR Holdings Pty Ltd.

	2014
	\$
Statement of profit or loss and other comprehensive income	
Profit after income tax	4,999,406
Total comprehensive income	<u>4,999,406</u>
Statement of financial position	
Total current assets	52,972
Total non-current assets	112
Total assets	<u>53,084</u>
Total current liabilities	91,763
Total non-current liabilities	-
Total liabilities	<u>91,763</u>
Net assets	<u>(38,679)</u>
Equity	
Issued capital	1
Retained earnings	(38,680)
Total equity	<u>(38,679)</u>

Contingent liabilities

The parent entity had no contingent liabilities at 30 June 2014.

Capital commitments

The parent entity had no capital commitments for property, plant and equipment at 30 June 2014.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 3.

**PWR Holdings Pty Ltd
and its controlled entities**
Notes to the consolidated financial statements
For the year ended 30 June 2014

2014

\$

22. Auditors' Remuneration

Audit services

Auditors of the Company

KPMG Australia:

Audit and review of financial reports

30,000

30,000

Other services

Auditors of the Company

KPMG Australia:

Taxation Services

-

**PWR Holdings Pty Ltd
and its controlled entities**

**Directors' declaration
For the year ended 30 June 2014**

Directors' declaration

In the opinion of the directors of PWR Holdings Pty Ltd (the "Company"):

- (a) the Company is not a reporting entity;
- (b) the financial statements and notes, set out on pages 4 to 25:
 - (i) present fairly the financial position of the Group as at 30 June 2014 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date in accordance with the statement of compliance and basis of preparation described in Notes 1 and 2; and
 - (ii) comply with Australian Accounting Standards (including the Australian Accounting Interpretations) to the extent described in Notes 1 and 2;
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- (d) In respect of the year ended 30 June 2014 the Group has:
 - (i) kept such accounting records so as to correctly record and explain its transactions and financial position;
 - (ii) kept its accounting records so that a true and fair financial report of the Group can be prepared from time to time; and
 - (iii) kept its accounting records in accordance with the Corporations Act 2001 so that the financial report of the Group can be conveniently and properly audited.

Signed in accordance with a resolution of directors.



Kees Weel
Director

Dated at Brisbane this 26th day of November 2014



Independent audit report to the members of PWR Holdings Pty Ltd

We have audited the accompanying financial report, being a special purpose financial report, of PWR Holdings Pty Ltd and its controlled entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2014, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, Notes 1 to 22 comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial report

The directors of the entity are responsible for the preparation and fair presentation of the special purpose financial report and have determined that the basis of preparation described in Notes 1 and 2 to the financial statements is appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement whether due to fraud or error.

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 and fair presentation of the financial report 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 the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the basis of accounting described in Notes 1 and 2 to the financial statements so as to present a view which is consistent with our understanding of the Group's financial position, and of its performance and cash flows.

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

Basis of accounting and restriction on distribution and use

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial report has been prepared to assist PWR Holdings Pty Ltd to meet the requirements of the Conditions of Funding per the BetterBusiness Bill Facility with Commonwealth Bank of Australia. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for PWR Holdings Pty Ltd and for meeting its reporting requirements to Commonwealth Bank of Australia, and should not be



distributed to or used by parties other than PWR Holdings Pty Ltd and Commonwealth Bank of Australia. We disclaim any assumption of responsibility for any reliance on this report, or on the financial report to which it relates, to any person other than the directors of PWR Holdings Pty Ltd or and Commonwealth Bank of Australia, or for any other purpose than that for which it was prepared.

Basis of Qualified Opinion

We were appointed as auditors of the Group on 6 December 2013 and were therefore unable to observe the counting of the physical inventories at the beginning of the year, which would have otherwise enabled us to satisfy ourselves concerning inventory quantities held at 30 June 2013. Since opening inventories entered into the determination of the financial performance and cash flows, we were unable to determine whether adjustments might have been necessary in respect of the profit for the year reported in the statement of profit or loss and other comprehensive income and the net cash flows from operating activities reported in the cash flow statement.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial report presents fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2014, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Australian Accounting Standards.

KPMG

KPMG

Brisbane

2 December 2014