



PRELIMINARY FINAL REPORT

NAME OF ENTITY

WESTSTAR INDUSTRIAL LIMITED	
ABN:	38 119 047 693

1. REPORTING PERIOD

Preliminary report for the financial year ended	30 June 2023
Previous corresponding period is the financial year ended	30 June 2022

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

				\$'000
Revenues from ordinary activities (item 2.1)	up	67.4%	to	304,275
Profit from ordinary activities after tax attributable to members (item 2.2)	down	59.2%	to	1,759
Net profit for the period attributable to members (item 2.3)	down	59.2%	to	1,759

Dividends (item 2.4)	Amount per security	Franked amount per security
Interim dividend	Nil	Nil
Final dividend	Nil	Nil
Record date for determining entitlements to the dividend (item 2.5)	Not Applicable	
Brief explanation of any of the figures reported above necessary to enable the figures to be understood (item 2.6): Refer to item 12.		

3. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Refer to attached unaudited Preliminary Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2023.

4. STATEMENT OF FINANCIAL POSITION

Refer to attached unaudited Preliminary Consolidated Statement of Financial Position as at 30 June 2023.

5. STATEMENT OF CASH FLOWS

Refer to attached unaudited Preliminary Consolidated Statement of Cash flows for the year ended 30 June 2023.

6. STATEMENT OF CHANGES IN EQUITY

Refer to attached unaudited Preliminary Consolidated Statement of Changes in Equity for the year ended 30 June 2023.

7. DIVIDENDS

	Date of payment	Total amount of dividend
Interim dividend – year ended 30 June 2023	N/A	N/A
Final dividend – year ended 30 June 2023	N/A	N/A

Amount per security

	Amount per security	Franked amount per security at % tax	Amount per security of foreign sourced dividend
Total dividend: Current year	N/A	N/A	N/A
Previous year	N/A	N/A	N/A

Total dividend on all securities

	Current period \$A'000	Previous corresponding Period - \$A'000
Ordinary securities (each class separately)	N/A	N/A
Preference securities (each class separately)	N/A	N/A
Other equity instruments (each class separately)	N/A	N/A
Total	N/A	N/A

8. DETAILS OF DIVIDEND OR DISTRIBUTION REINVESTMENT PLANS IN OPERATION ARE DESCRIBED BELOW:

	N/A
The last date(s) for receipt of election notices for participation in the dividend or distribution reinvestment plan	N/A

9. NET TANGIBLE ASSETS PER SECURITY

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	\$0.181	\$0.156

10. DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST DURING THE PERIOD

Control gained over entities

Name of entities (*item 10.1*)

N/A

Date(s) of gain of control (*item 10.2*)

N/A

Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period (*item 10.3*)

N/A

Loss of control of entities

Name of entities (*item 10.4*)

N/A

Date(s) of loss of control (*item 10.5*)

N/A

Contribution to consolidated profit (loss) from ordinary activities after tax by the controlled entities to the date(s) in the current period when control was lost (*item 10.6*).

N/A

Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period (*item 10.7*)

N/A

11. DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

Name of associate or joint venture entity (*item 11.1*)

% Securities held (*item 11.2*)

N/A

N/A

Aggregate share of profits (losses) of associates and joint venture entities (*item 11.3*)

Group's share of associates' and joint venture entities':

2023
\$

2022
\$

Profit (loss) from ordinary activities before tax

N/A

N/A

Income tax on ordinary activities

N/A

N/A

Net profit (loss) from ordinary activities after tax

N/A

N/A

Adjustments

Share of net profit (loss) of associates and JV entities

N/A

N/A

12. SIGNIFICANT INFORMATION RELATING TO THE ENTITY'S FINANCIAL PERFORMANCE AND FINANCIAL POSITION.

OVERVIEW

WestStar Industrial Limited (Company or WestStar) (ASX: WSI), an Australian industrial services company, operating in the energy, resources, utility and infrastructure sectors, in metropolitan and remote areas, across Australia, is pleased to report on the Company's FY23 Preliminary Final Report.

RESULT OF OPERATIONS

EBITDA	6,035,086
Depreciation	<u>(2,411,883)</u>
EBIT	3,623,203
Share based payments	(182,413)
Interest costs	<u>(804,121)</u>
NPBT	2,636,669
Income tax expense	<u>(877,703)</u>
NPAT	1,758,966

*Underlying EBITDA is a non-AIFRS financial measure which is not prescribed by Australian Accounting Standards ('AAS')

FULL YEAR 2023 FINANCIAL HIGHLIGHTS

- Full Year Earnings (EBITDA) of \$6,035,086
- Net Profit After Tax (NPAT) of \$1,758,966
- New Record Revenue of \$304,275,242, a significant achievement for a 6 year operating company.
- Cash Holdings of \$16.1M
- Record FY23 Alltype Engineering Revenue increases 79% to \$91,742,372 (FY22 \$51,131,244)
- Record FY23 Alltype Engineering Net Operating Profit of \$6,716,343 (FY22 \$2,878,909)
- Record FY23 SIMPEC Revenue increases 63% to \$212,532,870 (FY22 \$130,667,316)
- FY24 Consolidated Contract Revenue Currently circa \$155M
- Debt and Borrowings: NIL whilst funding security and cash flow for increased revenue growth, representing solid cash flow management and deployment of working capital.

FINANCIAL PERFORMANCE

Having consistently maintained a strong order book of contracted revenue, with significant increases year on year, the Company has delivered another consolidated net profit.

Alltype Engineering delivered a record Net Operating Profit of \$6,716,343, an increase of ~133% on FY22 Net Operating Profit of \$2,878,909 by increasing revenue and maintaining margins and overhead costs across the diverse portfolio of projects within the business unit.

Despite the strong performance of Alltype Engineering, the consolidated results have been impacted with SIMPEC delivering a FY23 loss of (\$1,212,418). The FY23 loss of (\$1,212,418) was largely attributable to close out settlements on two projects combined with significant supplier and subcontractor cost inflation and skilled labour pressures on long term construction projects.

FINANCIAL PERFORMANCE (CONT.....)

The Group, similar to the broader construction contracting industry, faced numerous challenging conditions across key markets during the year. Some of these factors included delay of the award of a number of key projects, and as previously stated, significant cost inflation impacts for long term projects and availability of skilled labour across the board for construction projects.

Deliberate, measured pre investment in strategic growth enabled the Group to continue to lift its revenue target in keeping with the overall strategic plan without having to raise debt or equity, but despite this revenue increasing, management of the cost pressures and labour shortages heavily affected earnings for the Group with profits funding shortfalls to deliver on commitments. These impacts to bottom line and cash flow have been seen across the industry as a whole leading to consolidation in the sector and presenting capacity challenges to the market going forward to deliver on the record levels of resource and infrastructure developments currently planned.

Despite these challenges, the Group was able to deliver its contracted revenue safely, on time and still profitably as well as demonstrate the capability to execute major projects that are a significant step change in size and complexity.

This achievement is the true underlying success of the Group, where customers have had confidence to contract with the Group businesses for significantly larger value projects located not only in Western Australia, but across the country.

With nil debt, WestStar continue to make the transition to focussing on Group profit for FY24 and with the completion of the Iron Bridge Wet Plant imminent and a significant secured order book of ongoing projects with a diverse and industry strong customer base, the Company is well positioned to capitalise upon this investment in growth and demonstrated capability, reliably continuing to operate profitably and now deliver improved bottom line financial performance commensurate with turnover.

REVENUE

WestStar Industrial Limited achieved **Group Revenue** of \$304,275,242 compared to \$181,798,560 in the prior comparative period (FY22). This Revenue growth demonstrates another revenue increase of ~67% over the prior corresponding period (FY22).

Alltype Engineering achieved record FY23 revenue result of \$91,742,372, up 79.4% on the prior corresponding period (FY22 \$51,131,244).

SIMPEC achieved record FY23 revenue of \$212,532,870, up 62.6% on the prior corresponding period (FY22) \$130,667,316.

The increased levels of market development, brand awareness and subsequent tendering activity previously signaled in prior periods has delivered the revenue in line with the Group's strategic growth plans. This achievement was evident in the award and conversion of significant works across both Alltype Engineering and SIMPEC which have now been delivered successfully.

Despite the profitability on initial face value not potentially meeting typical market expectations, history demonstrates that growth cycles in construction contracting businesses all go through similar sacrifice of initial earnings for the benefit of long term sustainable performance which ultimately unlocks the underlying value of the business. The WestStar Industrial strategic goal is not about prioritisation of short term performance and is instead focused on measured and deliberate growth, risk management and long term return on investment for its stakeholders.

With a solid foundation and track record of project delivery performance across multiple industry sectors, a sustainable and strong pipeline of new projects across the Group, continued growth in revenue is expected for FY24 where it is expected that the benefits of previous investment in the delivery capacity across the Group will result in a much stronger bottom line financial result.

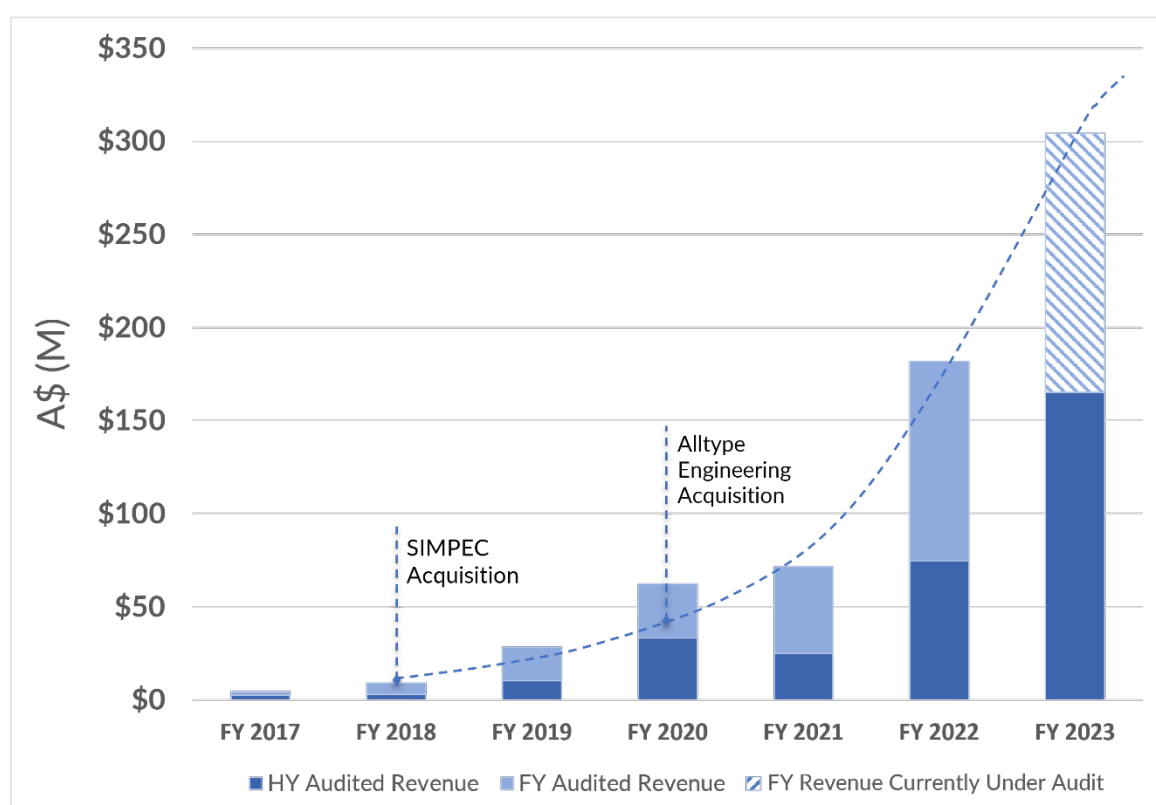


Figure 1: WestStar Industrial Limited Revenue Performance

EARNINGS

Earnings before interest, tax, depreciation and amortization (EBITDA) for the period was \$6,035,086, a decrease on the prior comparative period (FY22 \$9.06M), delivering an EBITDA margin percentage of 2%, noting this margin is still comparable with major construction contracting entities. Net profit after tax was \$1.76M, down 59.2% on the prior corresponding period (FY22 \$4.31M). The Group is particularly focused on continuous improvement of delivery of its projects with a defined objective to improve operational efficiency and contract administration discipline within SIMPEC with current focus on establishing fairer contractual terms and conditions, transparent cost control, forecasting, maintenance and improvement of gross margins. Being a longer established operating business, the Company expects Alltype Engineering to continue its Earnings Growth during FY24, particularly through its expansion onto the east coast of the country which was paused during the COVID19 pandemic.

BALANCE SHEET

The Company continues to strengthen its balance sheet with total equity of \$25.6M increasing by 8.5% on the prior comparative period (FY22 \$23.6M). The Group held cash of \$16.1M and had a working capital surplus of \$12.6M as at 30 June 2023.

Strengthening of the balance sheet enables the Group to demonstrate and deliver the financial capacity appropriate for its growth targets, current commitments and potential opportunities in both the project and strategic acquisition space.

With nil long-term debt the Group continues to effectively use its balance sheet to manage new projects and growth.

OUTLOOK

Robert Spadanuda Managing Director and CEO commenting on the results and Outlook for the Company.

"During the year we have completed and significantly advanced major milestones on key industry flagship projects. The Board's long term strategic vision is still on track to establish WestStar Industrial as a sustainable contracting business."

In order to look forward to FY24 and beyond, we need to take account of all of the impacts of the FY23 period to implement requisite change within the Group and take accountability and responsibility to mitigate impacts to earnings moving forward. The 2023 Financial year has been another successful year for revenue growth but profitability for the Group has not been what we target or expect as a Consolidated business.

After a record first half and with the ability to improve upon those results, the Group was disappointed we received such a significant impact to our annual results due to financial settlement outcomes on two contracts together with the burden of significant cost inflation and skilled labour quality and availability pressures on our major projects.

Pre-investment in strategic growth opportunities has demonstrably enabled the Group to lift its revenue target in keeping with its strategic plan. Despite the revenue increase it has been well documented within both the press and industry bodies that cost pressure escalation, supply chain shortages and delays, cash flow terms and labour shortages for experienced management, supervision and trades are heavily affecting the industry as a whole across the country.

The Group has contended with very challenging conditions across each of our key markets during the year. Factors including difficult contracts, delays in the award of a number of key projects, significant cost inflation and limited availability of experienced and skilled labour have affected SIMPEC particularly.

Impending changes to be made to SIMPEC management structure, project controls and contract administration systems, greater governance and contemporary contract models aligned with current market conditions we expect will deliver a much stronger financial performance over the coming period.

These changes are already in progress with SIMPEC new works recently announced with Cockburn Cement Limited ("CCL") valued at \$105M under a TCE Model (Target Cost Estimate) that will deliver a more stable return rather than the associated risk of a traditional Lump Sum Model with SIMPEC maintaining their commitment on delivering safe, reliable and timely project outcomes to their valued client base."

SIMPEC - IRON BRIDGE UPDATE

WestStar subsidiary SIMPEC was originally awarded a project for FMG Ironbridge Operations (IBO) Iron Ore Processing Wet Plant SMPE&I construction in mid-2021, representing a step change in project award value for the Group.

The IBO Project team initially mobilised to site and commenced works during the COVID19 pandemic Western Australian border closure, constraining resourcing within an emerging tight WA labour market.

Notably, project award was made prior to the subsequent levels of cost escalation, global logistics constraints and material and supply chain shortages experienced in late 2021 and throughout 2022. These macroeconomic issues also impacted the greater Ironbridge project as is well documented in the public domain with overall entire development CAPEX increasing significantly in line with other major resource development projects.

Subsequent border openings across the country including Western Australia in March 2022 introduced a period of sustained COVID19 outbreaks and spread which at the time required isolation, both on and off site, as well as significantly constraining subcontractor availability and services.

Despite the novel market conditions, the project team and IBO team worked collaboratively to expedite the project through to completion, being dynamic and accommodating the above issues as well as specific project related challenges including:

- Coordination with multiple site contractors, including civil and earthworks and battery limit interfaces;
- Resequencing of modular installation plan to accommodate module arrival changes (driven by global logistics issues);
- Significant quantity growth in steel tonnage, piping, cables and E&I infrastructure;
- Compliance and modification work as required on the free issued modules and equipment, and
- Early completion of the first commissioned feed circuit as part of first ore on ship with balance of project works completed in brownfield conditions.

SIMPEC and WestStar Industrial working closely with the FMG IBO project team have been able to deliver a world class mineral processing plant in the remote North-west of Western Australia during one of the busiest periods seen in the state for over 15 years.

With the project nearing successful practical completion with exemplary HSE performance and outcomes, the capability of SIMPEC to deliver major projects of this size and technical complexity has been demonstrated.

Going forward, SIMPEC, WestStar Industrial and FMG have now established a solid working relationship which is already translating into new project works on the back of the IBO Wet Plant project.

ALLTYPE ENGINEERING

Alltype Engineering managed to significantly outperform its targeted financial objectives by delivering another increase and strong performance in both revenue and earnings whilst expanding its operational footprint nationally.

It has been 3 years since Alltype Engineering was purchased by WestStar Industrial and each year their continued improvement has delivered great value to the Group as a whole, and in particular FY23 delivering the majority of the Group's earnings, despite cost inflation and skilled labour pressures on both fabrication and construction projects, together with competition for new works.

The Company is confident that it is nearing execution and approvals of further Major Contract Awards in the coming months that will continue to support Revenue and Earnings growth going forward with an expectation of executing over \$100M of works in FY24.

Alltype Engineering continues to grow sustainably across multiple industry segments, successfully delivering significantly larger and more complex projects for a broad range of clients, particularly in energy, water and resources.

The investment made by WestStar continues to be rewarded with access to a differing base of core clients and geographical opportunities and diversification of risk and opportunity for the Group.

WATMAR

The Board firmly believes that the diversification strategy we continue to roll out as per our Strategic Plan has protected our business model, despite the challenges and pressures of the Construction Services Market.

As previously stated, the Company continues to evaluate synergistic mergers and acquisitions to continue its strategy of accessing new geographies and industry segments.

As part of this strategy, the Company recently announced to the market the proposed acquisition of WATMAR Engineering after completion of robust due diligence necessary for successful integration of a new business as has been demonstrated successfully in the past.

Established in 1989, WATMAR has developed a sound reputation in the Australian marine and defence sectors as a Fluid System Engineering Specialist. WATMAR is headquartered in Naval Base, Western Australia and operates from established facilities in Perth, Darwin and Sydney delivering planned maintenance, service and parts supply and technical back up with exclusive agency agreements for global Original Equipment Manufacturers (OEM) components installed throughout military vessels and infrastructure in various defence forces and marine facilities. Underpinned by long term framework agreements within high barrier to entry markets of operation, WATMAR also provides unique specialised integrated project solutions.

WATMAR's strong and long-standing client base consists principally of government and large-scale enterprises in both the public and private sectors, including The Australian Government Department of Defence, BAE Systems, Serco Group, Babcock Australasia, Luerksen Australia and Woodside Energy.

WestStar plans to integrate WATMAR into its existing operations and retain key management personnel to ensure a smooth transition for customers and employees and position the business for immediate growth and increased profitability.

The acquisition is expected to provide WestStar with immediate diversification of its client base, services and geographic expansion both through WATMAR's existing channels to market and through opportunities presented by the existing WestStar businesses with no negative impacts to existing operations.

This strategic industry acquisition allows fast entry for WestStar into the high barrier to entry Defence sector with additional significant upside and potential for growth through complimentary offerings through our existing businesses and establishing a maintenance foothold in the market that is not subject to commodity cycle fluctuations with a significant future investment that is well publicised.

The acquisition is expected to be immediately earnings per share accretive, not including the expected synergy benefits to both SIMEPC and Alltype Engineering.

Through this investment in WATMAR, WestStar possesses the capability to tender, execute and deliver specialised multidiscipline engineering and construction solutions across mining, oil and gas, energy, infrastructure, defence and marine and industrial sectors on a significant scale.

IN CLOSING

WestStar Industrial maintains a strong balance sheet basis, nil debt and access to government bonding through Export Finance Australia to assist in execution of its growth strategy. The Board is continually reviewing all aspects of both balance sheet and capital management in order to deliver best possible outcomes to all stakeholders across the business as well as further strategic acquisition opportunities.

We take this opportunity to thank all of our people for their dedication and efforts in safely delivering all of our projects. We look forward to our continued development and improvement across SIMPEC and Alltype Engineering and look forward to welcoming WATMAR post completion of the acquisition which is expected to occur in September 2023.

13. THE FINANCIAL INFORMATION PROVIDED IN THE APPENDIX 4E IS BASED ON THE PRELIMINARY FINANCIAL REPORT (ATTACHED), WHICH HAS BEEN PREPARED IN ACCORDANCE WITH AUSTRALIAN ACCOUNTING STANDARDS

14. COMMENTARY ON THE RESULTS FOR THE PERIOD

Refer to explanation item 12.

15. INFORMATION ON AUDIT

This Appendix 4E and Preliminary Final Report is based on financial statements which are in the process of being audited.

16. AUDIT OPINION

The audit of the Company is ongoing and so the audit opinion will be delivered in due course.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023

	Note	30 June 2023 \$	30 June 2022 \$
Revenue	2	304,275,242	181,798,560
Other income	2	1,145,290	1,006,587
		<u>305,420,532</u>	<u>182,805,147</u>
Expenses:			
Cost of goods sold		(284,865,711)	(161,663,324)
Occupancy expenses		(267,029)	(290,083)
Administration expenses	3	(14,080,685)	(12,043,247)
Depreciation	8,9	(2,411,883)	(1,943,633)
Finance costs	3	(804,121)	(607,295)
Doubtful debts expense / (reversal)		(156,080)	260,951
Share based payments expense		(182,413)	(478,864)
Profit/(loss) on sale of plant and equipment		(15,941)	(9,203)
Expenses		<u>(302,783,863)</u>	<u>(176,774,698)</u>
Profit / (loss) before income tax		<u>2,636,669</u>	<u>6,030,449</u>
Income tax expense	4	(877,703)	(1,719,981)
Profit / (loss) after income tax		<u>1,758,966</u>	<u>4,310,468</u>
Other Comprehensive Income			
<i>Items that may be reclassified to profit or loss</i>		-	-
Other comprehensive profit/ (loss), net of tax		-	-
Total comprehensive income / (loss)		<u>1,758,966</u>	<u>4,310,468</u>
Earnings / (loss) per share			
Basic earnings cents per share		1.59	4.04

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	Note	30 June 2023 \$	30 June 2022 \$
ASSETS			
Current Assets			
Cash and cash equivalents	5	16,114,782	20,308,635
Trade and Other receivables	6	22,004,949	17,957,801
Inventories		532,695	681,211
Financial Assets	17	833,880	2,114,273
Contract Assets	7	23,201,751	6,650,627
Total Current Assets		62,688,057	47,712,547
Non-Current Assets			
Financial Assets	17	1,633,284	2,413,665
Trade and Other receivables	6	218,904	605,121
Investments		283,075	283,075
Property, plant & equipment	8	5,019,260	5,184,972
Right of Use Asset	9	1,022,638	1,838,458
Deferred tax asset, net	4	1,922,792	441,349
Loans receivable		75,000	75,000
Intangible Assets	10	4,508,116	4,508,116
Total Non-Current Assets		14,683,069	15,349,756
Total Assets		77,371,126	63,062,303
LIABILITIES			
Current Liabilities			
Trade & Other payables	11	37,460,260	29,259,457
Income tax payable	4	4,520,476	2,161,330
Provisions	12	6,529,940	2,995,242
Borrowings	13	-	68,216
Lease Liabilities	14	960,588	943,926
Contract Liabilities	7	609,447	2,168,504
Total Current Liabilities		50,080,711	37,596,675
Non-Current Liabilities			
Provisions	12	726,491	194,571
Lease Liabilities	14	973,391	1,621,903
Total Non-Current Liabilities		1,699,882	1,816,474
Total Liabilities		51,780,593	39,413,149
Net Assets / (Liabilities)		25,590,533	23,649,154
EQUITY			
Issued capital		24,455,791	24,455,791
Reserves		755,117	860,394
Retained Profits/(Accumulated losses)		379,625	(1,667,031)
Total Equity / (Deficiency)		25,590,533	23,649,154

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023

	Attributable to Owners of the Company			
Note	Issued Capital \$	Share-based Payments Reserve \$	Retained Earnings/ (Accumulated Losses) \$	Total \$
Balance at 30 June 2021	20,427,962	381,530	(5,977,499)	14,831,993
Change in accounting policies	-	-	-	-
Profit for the year	-	-	4,310,468	4,310,468
Total comprehensive profit/(loss) for the year	-	-	4,310,468	4,310,468
Transactions with owners in their capacity as owners				
Shares issued, net of costs	4,027,829	-	-	4,027,829
Transfer of expired options value	-	204,444	-	204,444
Recognition of share-based payments	-	274,420	-	274,420
Balance at 30 June 2022	24,455,791	860,394	(1,667,031)	23,649,154
Change in accounting policies	-	-	-	-
Profit for the year	-	-	1,758,966	1,758,966
Total comprehensive profit/(loss) for the year	-	-	1,758,966	1,758,966
Transactions with owners in their capacity as owners				
Transfer of expired options value	-	(287,690)	287,690	-
Recognition of share-based payments	-	182,413	-	182,413
Balance at 30 June 2023	24,455,791	755,117	379,625	25,590,533

CONSOLIDATED STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 30 JUNE 2023

	Note	30 June 2023 \$	30 June 2022 \$
Cash flows from operating activities			
Receipts from customers		310,554,978	191,074,314
Payments to suppliers and employees		(316,270,094)	(184,631,033)
Interest received		55,223	8,874
Interest paid		(659,106)	(461,964)
Other income		1,090,066	997,713
Net cash flows (used in) / provided by operating activities		(5,228,933)	6,987,904
Cash flows from investing activities			
Payments for financial assets		(604,386)	(2,317,523)
Proceeds from return of financial assets		2,665,161	814,553
Purchase of property, plant & equipment		(1,032,513)	(1,625,567)
Payments for investments		-	(283,075)
Proceeds from sale of property, plant & equipment		6,818	-
Net cash flows provided by / (used in) investing activities		1,035,080	(3,411,612)
Cash flows from financing activities			
Proceeds from share issues		-	4,150,000
Share issue costs		-	(134,388)
Proceeds from borrowings		-	165,000
Amounts loaned		-	(75,000)
Repayment of borrowings		-	(525,527)
Net cash flows provided by financing activities		-	3,580,085
Net (decrease) / increase in cash and cash equivalents		(4,193,853)	7,156,377
Cash and cash equivalents at the beginning of the period		20,308,635	13,152,258
Cash and cash equivalents at the end of the period	5	16,114,782	20,308,635

NOTES TO THE PRELIMINARY FINANCIAL REPORT

NOTE 1: BASIS OF PREPARATION OF THE FINAL REPORT

BASIS OF PREPARATION

This preliminary final report for the year ended 30 June 2023 relates to the consolidated entity consisting of WestStar Industrial Limited ("WestStar" or "the Group") and its controlled entities.

The preliminary final report has been prepared on an accrual's basis and a historical cost basis except for certain current and non-current assets and financial instruments which are measured at fair value or where otherwise stated. Cost is based on the fair value of consideration given in exchange for assets.

This preliminary final report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual financial report of the year ended 30 June 2022, the half-year report for the period ended 31 December 2022 and any public announcements made by WestStar during the year in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The amounts contained in this preliminary final report are presented in Australian dollars, the functional currency of the consolidated entity.

STATEMENT OF COMPLIANCE

The preliminary final report is a general-purpose financial report and has been prepared in accordance with applicable Australian Accounting Standards, other pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The preliminary final report is also in compliance with ASX listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

NOTE 2: REVENUE AND OTHER INCOME

	2023 \$	2022 \$
REVENUE		
- Revenue from construction and engineering services	304,275,242	181,798,560
	304,275,242	181,798,560
OTHER INCOME		
- Interest income	55,223	8,874
- Insurance recoveries	970,698	763,825
- Scrap metal sales	76,043	147,179
- Sundry income	43,326	86,709
	1,145,290	1,006,587

NOTE 3: EXPENSES

	2023 \$	2022 \$
ADMINISTRATIVE EXPENSES		
- Employee wages and salaries	8,901,140	7,898,429
- Professional services and consultant fees	2,516,216	2,159,169
- Insurance	425,575	590,446
- ASX and Share registry fees	47,203	78,074
- Motor vehicle expenses	47,641	39,961
- General administrative costs	2,142,910	1,277,168
	14,080,685	12,043,247
	2023 \$	2022 \$
FINANCE COSTS		
- Interest and associated borrowing costs to unrelated third parties	804,121	607,295
	804,121	607,295

NOTE 4: INCOME TAX EXPENSE

	2023 \$	2022 \$
(a) Income tax expense		
Major component of tax expense for the year		
Current tax	2,359,146	1,931,956
Deferred tax	(1,481,443)	(211,975)
	877,703	1,719,981
(b) Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and tax expense calculated per the statutory income tax rate		
A reconciliation between tax expense and the product of accounting loss before income tax multiplied by the Company's applicable tax rate is as follows:		
Profit / (Loss) from continuing operations before income tax expense	2,636,669	6,030,449
Tax at the Group rate of 30% (2022: 30%)	791,001	1,809,135
Other non-deductible expenses	93,156	162,911
Prior period under/(over) provision	(6,454)	33,582
Deferred tax assets not previously recognised	-	(285,647)
Income tax expense	877,703	1,719,981
(c) Income tax liability		
Current tax payable	4,520,476	2,161,330

NOTE 4: INCOME TAX EXPENSE (CONT...)

	2023 \$	2022 \$
(d) Deferred tax		
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Company's applicable tax rate is as follows:		
<i>Liabilities</i>		
Net deferred income	-	168,617
Plant and Equipment	805,627	769,839
Accrued income	238,371	-
Other non-depreciable assets	306,792	-
Debt Write-Off	336,767	336,767
Deferred tax liability	1,687,557	1,275,223
<i>Assets</i>		
Losses available to offset against future taxable income	336,767	336,763
Provisions & accruals	2,764,861	1,348,032
Net deferred income	182,834	-
Capital raising costs	-	11,736
Borrowing costs	473	473
Lease Asset	325,414	19,568
Deferred tax asset	3,610,349	1,716,572
Net deferred tax asset recognised	1,922,792	441,349
Net deferred tax asset not recognised	-	-

The benefit for tax losses will only be obtained if:

- (i) the Group derives future assessable income in Australia of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- (ii) the Group continues to comply with conditions for deductibility imposed by tax legislation in Australia; and
- (iii) no changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the losses.

NOTE 5: CASH AND CASH EQUIVALENTS

	2023 \$	2022 \$
Cash and bank balances	16,114,782	20,308,635
Balances as above	16,114,782	20,308,635
Bank overdraft	-	-
Balances per Statement of Cashflows	16,114,782	20,308,635

NOTE 6: TRADE AND OTHER RECEIVABLES

	2023 \$	2022 \$
Trade receivables (Current)		
Trade receivables	21,813,489	15,191,532
Less Allowance for doubtful debts	-	(2,567)
	<u>21,813,489</u>	<u>15,188,965</u>
Retentions	120,413	2,702,876
Other receivables	25,181	23,214
Prepayments	45,866	42,746
	<u>22,004,949</u>	<u>17,957,801</u>
	2023 \$	2022 \$
<30 days	19,039,253	12,196,911
30-60 days	254,343	957,551
60-90 days	41	105,464
90+ days	2,519,852	1,929,039
Total	<u>21,813,489</u>	<u>15,188,965</u>
	2023 \$	2022 \$
Trade receivables (Non-Current)		
Retentions	218,904	605,121
	<u>218,904</u>	<u>605,121</u>

NOTE 7: OTHER ASSETS AND OTHER LIABILITIES

The "Contract asset" value below represents under AASB 15, the unbilled amount expected to be collected from customers for contract work performed to date. Cost includes all expenditure related directly to specific projects. Recognised profit is based on the percentage completion method and is determined using the costs incurred to date and the total forecast contract costs.

	2023 \$	2022 \$
Other Assets		
Contract assets	23,201,751	6,650,627
	<u>23,201,751</u>	<u>6,650,627</u>

The "Contract liabilities" value below represents under AASB 15, unearned revenue the Group has invoiced the client in advance of performing the contracted services. Contract liabilities fluctuate based on progress of completion of contracts.

	2023 \$	2022 \$
Other Liabilities		
Contract liabilities	609,447	2,168,504
	<u>609,447</u>	<u>2,168,504</u>

NOTE 8: PROPERTY, PLANT AND EQUIPMENT

	2023 \$	2022 \$
Gross carrying value at cost	8,613,522	7,249,941
Accumulated depreciation	(3,594,262)	(2,064,969)
Net carrying value at cost	<u>5,019,260</u>	<u>5,184,972</u>

	Plant & Equipment \$	Motor Vehicles \$	Total \$
Gross carrying value at cost			
At 1 July 2022	6,245,062	1,004,879	7,249,941
Additions	1,084,930	372,985	1,457,915
Disposals	(72,334)	(22,000)	(94,334)
At 30 June 2023	<u>7,257,658</u>	<u>1,355,864</u>	<u>8,613,522</u>
Accumulated depreciation			
At 1 July 2022	(1,778,092)	(286,877)	(2,064,969)
Disposals	59,030	7,740	66,770
Depreciation	(1,351,217)	(244,846)	(1,596,063)
At 30 June 2023	<u>(3,070,279)</u>	<u>(523,983)</u>	<u>(3,594,262)</u>
Total at 30 June 2023	<u>4,187,379</u>	<u>831,881</u>	<u>5,019,260</u>

NOTE 9: RIGHT OF USE ASSET AND LIABILITY

	2023 \$	2022 \$
Right of Use Asset		
Lease asset	4,041,736	4,041,736
Accumulated depreciation	(3,019,098)	(2,203,278)
	<u>1,022,638</u>	<u>1,838,458</u>

	Right of Use Asset \$
Gross carrying value	
At 1 July 2022	4,041,736
Additions	-
At 30 June 2023	<u>4,041,736</u>
Accumulated depreciation	
At 1 July 2022	(2,203,278)
Depreciation charge	(815,820)
At 30 June 2023	<u>(3,019,098)</u>

NOTE 10: INTANGIBLE ASSETS

	2023 \$	2022 \$
Goodwill - Alltype Engineering	3,515,918	3,515,918
Goodwill - SIMPEC	992,198	992,198
	4,508,116	4,508,116

Impairment testing for cash-generating units containing goodwill. For the purpose of impairment testing, goodwill is allocated to the Group's operating segments which represent the lowest level within the Group at which goodwill is monitored for internal management purposes. The two CGU's tested for impairment are

- a. SIMPEC Goodwill
- b. Alltype Engineering Goodwill

The aggregate carrying amounts of goodwill allocated to each segment are as follows:

- c. SIMPEC Goodwill
- d. Alltype Engineering Goodwill

The CGU are not larger than any of the segments as classified under *AASB 8 Operating Segments*.

The recoverable amounts of the above segments were based on their value in use with the Group performing its annual impairment test in June 2023. The carrying amount of the operating segments were determined to be lower than their recoverable amounts and therefore no impairment charge has been recognised. We have considered the effects of our clients' activities which may include resources commodity prices, commercial construction activity, awards of new contracts, deferrals of existing contracts, disruptions to supply chain and disruptions to existing operations.

Value in use was determined by preparing five-year discounted cash flow forecasts, and extrapolating the cash flows beyond the terminal year using a terminal growth-rate. The calculation of value in use was based on the following key assumptions:

- Cash flows were projected based on past experience, actual operating results and independent research on the markets in which the segments operate.
- The five-year cash flow estimates used in assessments for all CGU's were based on Board approved budgets for the year ending 30 June 2024.
- Growth assumptions thereafter are Alltype Engineering 2%; SIMPEC 2% per annum for each future year.
- The terminal value assumes perpetual growth of 2.0% (2022: 2.0%).
- The margins included in the projected cash flow are the same rate that has been achieved by projects commencing in 2023.
- A pre-tax discount rate between 18% and 19% was applied. This discount rate was estimated based on past experience and industry average weighted cost of capital.

NOTE 11: TRADE AND OTHER PAYABLES

	2023 \$	2022 \$
Trade payables	19,342,308	18,942,784
Other creditors and accruals	18,117,952	10,316,673
	37,460,260	29,259,457

NOTE 12: PROVISIONS

	2023 \$	2022 \$
Annual Leave - Current	3,051,911	2,239,697
Long Service Leave - Current	121,579	130,680
Other provisions	3,356,450	624,865
	6,529,940	2,995,242
Long Service Leave – Non-Current	726,491	194,571
	726,491	194,571

NOTE 13: BORROWINGS

	2023 \$	2022 \$
Short term loan facility (i)	-	68,216
	-	68,216

(i) Short term loan facilities were retired in September 2022. The loans were unsecured and bore interest at between 6.3% p.a. and 7.75% p.a.

NOTE 14: LEASE LIABILITIES

	2023 \$	2022 \$
Right of Use Lease liability - Current	742,886	818,965
Other lease liabilities - Current	217,702	124,961
	960,588	943,926
Right of Use Lease liability – Non-Current	341,829	1,084,715
Other lease liabilities – Non-Current	631,562	537,188
	973,391	1,621,903

NOTE 15: OPERATING SEGMENTS

Management has determined the operating segments based on reports reviewed by the Board of Directors for making strategic decisions. The current Board of Directors monitors the business based on operational and geographic factors and have determined that there are two relevant business segments being:

SIMPEC Pty Ltd is a construction contractor with specialist experience in both structural, mechanical and piping and electrical & instrumentation works in resources and infrastructure projects; and

Alltype Engineering Pty Ltd provides site installation, construction, workshop fabrication and maintenance services to the oil & gas, water, power generation, infrastructure, mining, resources, utility, petrochemical and defence industries.

Segment reporting	SIMPEC \$	Alltype \$	Group \$
Year ended 30 June 2023			
Segment revenue	212,532,870	91,742,372	304,275,242
Segment operational expense	(208,291,317)	(76,574,394)	(284,865,711)
Segment gross margin	4,241,553	15,167,978	19,409,531
Segment overheads	(6,370,748)	(8,630,722)	(15,001,470)
Segment operating profit (loss)	(2,129,195)	6,537,256	4,408,061
Other Income - operational	916,777	179,087	1,095,864
Net operating Profit/(Loss) before tax & Corporate Administration expenses	(1,212,418)	6,716,343	5,503,925
Other income			49,426
Corporate & administration			(2,916,682)
Net operating Profit (Loss) before Tax			2,636,669
Income tax expense			(877,703)
Net operating Profit (Loss) after Tax			1,758,966

1. Alltype Engineering segment revenue excludes \$4,940 intercompany revenue
2. SIMPEC segment operational expense excludes \$4,940 intercompany cost of sales

Year ended 30 June 2022			
Segment revenue	130,667,316	51,131,244	181,798,560
Segment operational expense	(120,250,583)	(41,412,741)	(161,663,324)
Segment gross margin	10,416,733	9,718,503	20,135,236
Segment overheads	(5,412,493)	(7,127,570)	(12,540,063)
Segment operating profit (loss)	5,004,240	2,590,933	7,595,173
Other Income - operational	718,600	287,976	1,006,576
Net operating Profit/(Loss) before tax & Corporate Administration expenses	5,722,840	2,878,909	8,601,749
Other income			11
Corporate & administration			(2,571,311)
Net operating Profit (Loss) before Tax			6,030,449
Income tax expense			(1,719,981)
Net operating Profit (Loss) after Tax			4,310,468

1. Alltype Engineering segment revenue excludes \$320,462 intercompany revenue
2. SIMPEC segment operational expense excludes \$320,462 intercompany cost of sales

NOTE 15: OPERATING SEGMENTS (CONTINUED)

Segment reporting	SIMPEC \$	Alltype \$	Group \$
Year ended 30 June 2023			
Segment assets	42,389,703	29,223,601	71,613,304
Segment liabilities	(33,327,203)	(13,396,702)	(46,723,905)
Segment asset & liabilities	9,062,500	15,826,899	24,889,399
Cash and corporate assets			4,489,469
Corporate liabilities			(3,342,309)
Total asset & liabilities			26,036,559
Year ended 30 June 2022			
Segment assets	30,474,871	22,728,197	53,203,068
Segment liabilities	(20,055,905)	(16,163,403)	(36,219,308)
Segment asset & liabilities	10,418,966	6,564,794	16,983,760
Cash and corporate assets			9,859,235
Corporate liabilities			(3,193,841)
Total asset & liabilities			23,649,154

NOTE 16: CONTINGENCIES AND COMMITMENTS

During the year ended 30 June 2023 the Group entered into \$2.222M, and had returned \$2.577M respectively, worth of bond facilities ("the Facilities") with Export Finance Australia. As at 30 June 2023, the total value of bond facilities available to the Group amounted to \$13.5M, of which \$7.7M has been committed with the balance of \$5.8M uncommitted.

NOTE 17: FINANCIAL ASSETS

As at 30 June 2023, the Group has provided bank guarantees which are held in term deposits of \$2,467,164 (2022: \$4,527,938) to various customers and suppliers of which \$833,880 is in current assets (30 June 2022: \$2,114,273) and \$1,633,284 is in non-current assets (30 June 2022: \$2,413,665).

NOTE 18: SUBSEQUENT EVENTS

Subsequent to year end, WestStar's wholly owned subsidiary SIMPEC was awarded a contract for the Kwinana Plant Upgrade Project valued at circa \$105 million.

In addition to the above, WestStar's wholly-owned subsidiary Watmar Engineering Pty Ltd executed an agreement to purchase the business and assets of Watmarine Engineering Pty Ltd ("WATMAR"). WATMAR is a fluid system engineering specialist predominantly operating within defence, industrial and marine industries. WestStar will pay WATMAR \$1,400,000 in upfront consideration from existing cash reserves and the acquisition is subject to customary working capital adjustments and satisfaction of conditions precedent.

Apart from the above, there were no other matters or circumstances arising since the end of the reporting period that have significantly affected, or may significantly affect the operations of the Group and the results of those operations or the state of the affairs of the Group in the financial period subsequent to 30 June 2023.