

Alfabs Australia Limited
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	Alfabs Australia Limited
ABN:	52 674 455 442
Reporting period:	For the year ended 30 June 2024
Previous period:	For the year ended 30 June 2023

2. Results for announcement to the market

	2024	2023	Change	Change
	\$	\$	\$	%
Revenues from ordinary activities	96,613,473	84,620,280	11,993,193	14%
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	18,546,963	14,293,665	4,253,298	30%
Earnings Before Interest and Tax (EBIT)	10,810,284	7,837,225	2,973,059	38%
Profit from ordinary activities after tax attributable to the owners of Alfabs Australia Limited	3,553,543	4,476,423	(922,880)	(21%)
Profit for the year attributable to the owners of Alfabs Australia Limited	3,553,543	4,476,423	(922,880)	(21%)
			2024	2023
			Cents	Cents
Basic earnings per share			2.15	2.98
Diluted earnings per share			2.15	2.98

Dividends

Dividends of \$9,690,000 were paid to the below entities during the current financial year, prior to the group capital reorganisation that occurred on 31 January 2024:

	\$
Alfabs Mining Equipment Pty Ltd	8,600,000
Alfabs Protective Coatings Pty Ltd	260,000
Alfabs Services Pty Ltd	530,000
Alfabs Labour Hire Pty Ltd	300,000
	<u>9,690,000</u>

Comments

The profit for the Group after providing for income tax and non-controlling interest amounted to \$3,553,543 (30 June 2023: \$4,476,423).

Reference is made to the Operating and Financial Review in the Directors' Report contained in the attached Financial Report for Alfabs Australia Limited for the year ended 30 June 2024.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	21.52	17.73

4. Control gained over entities

Refer to the Directors' Report for details of the capital reorganisation that occurred on 31 January 2024.

5. Loss of control over entities

Not applicable.

6. Dividend reinvestment plans

Not applicable.

7. Details of associates and joint venture entities

Not applicable.

8. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

9. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements have been audited and an unmodified opinion has been issued.

10. Attachments

Details of attachments (if any):

The Annual Financial Report of Alfabs Australia Limited for the year ended 30 June 2024 is attached.

Alfabs Australia Limited

ABN 52 674 455 442

Annual Financial Report - 30 June 2024

Alfabs Australia Limited
Corporate directory
30 June 2024

Directors	William Wavish - Non-Executive Chairman Robert Neale - Non-Executive Deputy Chairman Matthew Torrance - Managing Director and Chief Executive Officer Mark Harrison - Finance Director and Chief Financial Officer
Company secretary	Clayton Freeman
Registered office and Principal place of business	152 Mitchell Avenue Kurri Kurri NSW 2327
Share register	Automic Group Level 5 126 Phillip Street Sydney NSW 2000
Auditor	Pitcher Partners NH Partnership Level 5 12 Stewart Avenue Newcastle West NSW 2302
Solicitors	Travis Partners Law Level 3, The Boardwalk 1 Honeysuckle Drive Newcastle NSW 2300
Bankers	National Australia Bank Limited Level 3 2 Carrington Street Sydney NSW 2000
Stock exchange listing	Alfabs Australia Limited shares are listed on the Australian Securities Exchange (ASX code: AAL)
Website	www.alfabs.com.au
Corporate Governance Statement	www.alfabs.com.au/corporate-governance/

Alfabs Australia Limited
Directors' report
30 June 2024

The Directors present their report, together with the financial statements, comprising Alfabs Australia Limited (referred to hereafter as the 'Company' or 'parent entity') and its subsidiaries (together referred to hereafter as the 'Group') for the period 1 July 2023 to 30 June 2024.

Alfabs Australia Limited (AAL) was incorporated on 24 January 2024 and on 31 January 2024 underwent a capital reorganisation of various entities including Alfabs Mining Equipment Pty Limited ('AME') with Alfabs Australia Limited becoming the new holding company and parent entity.

The Group financial statements have been prepared as a continuation of the combined financial statements of Alfabs Mining Equipment Pty Ltd ('AME').

Directors

The following persons were Directors of Alfabs Australia Limited from the date of incorporation and up to the date of this report, unless otherwise stated:

William Wavish	Non-Executive Chairman (appointed 29 May 2024)
Robert Neale	Non-Executive Deputy Chairman (appointed 29 May 2024)
Matthew Torrance	Managing Director and Chief Executive Officer (appointed 24 January 2024)
Mark Harrison	Finance Director and Chief Financial Officer (appointed 24 January 2024)
Paul Torrance	Former Managing Director (appointed 24 January 2024 and resigned 29 May 2024)

Principal activities

During the financial year the principal continuing activities of the Group consisted of Mining and Engineering related services.

The Mining division primarily sells to national and internationally owned black coal mines in Australia.

- Equipment hire: Providing equipment hire to operators in the underground black coal mining industry in Australia.
- Mining consumables: Supplying mining consumables and spare parts to mining operators.
- Workshop capability: Providing repair, maintenance, overhaul and construction of underground mining equipment.

The Engineering division primarily sells to Tier 1 and Tier 2 contractors for public and private infrastructure projects.

- Engineering Fabrication: Fabrication of heavy structural steel for public and private infrastructure projects in Australia.
- Engineering Services: Site based installation and pre-assembly works supporting the fabrication business unit.

Other ancillary activities include:

- Protective Coatings: Provides abrasive blasting and protective coatings for clients and internal projects.
- Forklift and Access: Hire of forklifts, elevated work platforms (EWPs) and materials handling equipment.
- Logistics: Australia wide transport and logistics services.
- Labour Hire: Provision of personnel for engineering and site-based maintenance and upgrade projects.

Dividends

Dividends paid during the financial year were as follows:

	Consolidated	
	2024	2023
	\$	\$
Dividends paid to the shareholders of Alfabs Mining Equipment Pty Ltd	8,600,000	-
Dividends paid to the shareholders of Alfabs Protective Coatings Pty Ltd	260,000	-
Dividends paid to the shareholders of Alfabs Services Pty Ltd	530,000	-
Dividends paid to the shareholders of Alfabs Labour Hire Pty Ltd	300,000	-
	9,690,000	-
	9,690,000	-

The above dividend payments occurred prior to the capital reorganisation transaction (refer note 2 of the financial statements).

Alfabs Australia Limited
Directors' report
30 June 2024

Operating and Financial Review

Following the recently successful Initial Public Offering (IPO) and ASX listing the Board is pleased to announce to shareholders that the Group's full year 30 June 2024 results have exceeded Prospectus forecast.

Sales of \$97.0m were 3% ahead of forecast of \$94.0m.

Adjusted EBITDA of \$19.8m was 10% ahead of forecast of \$18.0m.

Net profit after tax of \$6.9m (adjusted for one-off charges) exceeded forecast of \$6.0m by 15%.

Reconciliation of profit before income tax to EBIT, EBITDA and Adjusted EBITDA (unaudited):

	2024	2023
	\$	\$
Profit before tax	9,637,746	6,974,830
Interest revenue	(165,801)	(198,034)
Finance costs	1,338,339	1,060,429
EBIT	<u>10,810,284</u>	<u>7,837,225</u>
Depreciation and amortisation	7,736,679	6,456,440
EBITDA	<u>18,546,963</u>	<u>14,293,665</u>
Transaction costs in connection with the IPO and towards preparation of the IPO	1,229,723	-
Adjusted EBITDA	<u>19,776,686</u>	<u>14,293,665</u>

EBIT, EBITDA and adjusted EBITDA are non-IFRS earnings measures which do not have any standardised meaning prescribed by IFRS and therefore may not be comparable to EBIT and EBITDA presented by other companies. These measures, which are unaudited, are important to management as an additional way to evaluate the Group's performance. Adjusted EBITDA excludes the effects of significant items of income and expenditure which may have an impact on the quality of earnings because of isolated or non-recurring events.

Balance sheet strength has improved significantly on prior year. Cash on hand at 30 June 2024 exceeded borrowings by \$4.2m and property, plant and equipment has increased on prior year by \$30.9m.

The Group continues to maintain a strong focus on working capital management.

In FY2024 both major operating segments experienced growth at the revenue and EBITDA lines. As we enter FY2025 we expect continued growth, particularly within the Mining segment, underpinned by the commencement of the Malabar project.

Significant changes in the state of affairs

Capital reorganisation

Alfabs Australia Limited (AAL) was incorporated on 24 January 2024 and on 31 January 2024 underwent a capital reorganisation of various entities including Alfabs Mining Equipment Pty Limited ('AME') with Alfabs Australia Limited becoming the new holding company and parent entity.

The Group financial statements have been prepared as a continuation of the combined financial statements of Alfabs Mining Equipment Pty Ltd ('AME').

Initial Public Offering and ASX listing

On 26 June 2024, the Company was admitted to the Official List of ASX Limited and the official quotation of the Company's ordinary fully paid shares commenced on 28 June 2024. The Company raised \$18,000,000 pursuant to the offer under the prospectus dated 4 June 2024, by the issue of 72,000,000 shares at an offer price of \$0.25 per share (refer to note 21 of the financial statements).

There were no other significant changes in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2024 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

Information on likely developments in the operations of the Group and the expected results of operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the Group.

Material business risks

The Group acknowledges a range of risks that exist across the operations. It is committed to building a strong risk management culture to ensure the Group continues to deliver on its vision and strategy. This includes the development and management of risk management procedures into strategic plans and budgets, and regular reporting on the status of key risks to relevant committees and the Board.

Competition	The markets in which Alfabs operates are competitive and there can be no assurances that the competitive environment will not change adversely due to actions of government regulations, competitors or changes in customer preferences. Alfabs financial performance or operating margins could be adversely affected if the actions of competitors or potential competitors become more effective, or if new competitors enter the market and Alfabs is unable to counter these actions.
Reliance on key personnel	Alfabs relies on the experience and knowledge of its management team. The Group is also dependent on its ability to recruit and retain suitably qualified personnel. In the event that such key personnel left Alfabs and it was unable to recruit suitable replacements, such loss could have a materially adverse effect on the Group.
Labour and labour shortages	Alfabs' businesses require the availability of skilled and qualified labour. The inability to attract and retain skilled and experienced workers in sufficient numbers could materially adversely affect Alfabs' earnings, profitability and growth.
Reliance on key supply relationships and supply chain	The Group relies on various key customer and supplier relationships in certain parts of its business. The loss or impairment of any of these relationships could have a material adverse effect on the Group's results and operations, financial condition and prospects, at least until alternative arrangements can be implemented. In some instances, however, alternative arrangements may not be available or may be less financially advantageous than the current arrangements. Alfabs can be susceptible to volatility in the domestic and global supply chain. This can include product delivery delays or unavailability, together with material price impacts (including foreign exchange risk).
Equipment hire fleet and product selection	An important element of the business is an ability to assess and identify hire equipment and products that appeal to Alfabs target markets or reflect emerging trends, innovations and requirements of the market (such as technological advancements). Any misjudgements in costs, demand, operator or hirer requirements or changes in customer preferences could result in reduced business revenue, increased costs and/or lower gross margins. In addition, problems with existing or future fleet or products could have a material adverse impact on Alfabs financial performance.
Downturn in resources or infrastructure industry	If there is: <ul style="list-style-type: none">• a loss of contracts or service supply with Alfabs' clients, including the Malabar Contract;• an insolvency event or similar in respect of one or more of these clients;• a reduction in the level of spending on private or public infrastructure projects;• a downturn in the resources industry; or• a decrease in demand for Alfabs' products or services, it could have a significant negative effect on Alfabs' business, financial position and prospects.
Occupational health, safety and environment	Alfabs operations involve the servicing and manufacturing of underground mining equipment the fabrication and site related installation, shutdown and maintenance

activities, industrial blasting and painting and heavy transport and logistics. Alfabs has a strong commitment to providing and maintain safe places of work and compliance with environmental regulation. Changes in legislation, regulation and market best practice may result in increased costs, significant liabilities and the suspension of operations. Industrial accidents and incidents may occur. Such accidents, particularly where a fatality or serious injury occurs, or a series of such accidents occurs, may have operational and financial implications for Alfabs which may negatively impact on the financial performance and growth prospects.

Environmental regulation

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on Directors

Name:	William Wavish (appointed 29 May 2024)
Title:	Non-Executive Chairman
Qualifications:	CA(ANZ), ACMANZ, ACIS, ANZIM (all retired)
Experience and expertise:	Bill was CFO and Finance Director at Woolworths. Under his leadership, Woolworths quintupled its profits, positioning the company among the top 10 of Fortune 500 companies worldwide for return on investment. With notable roles at Myer, and Campbells Soup Asia as well, he brings extensive experience and expertise to Alfabs. As Executive Chairman of Myer, he successfully led a profitable three-year turnaround, resulting in significant financial gains. From his roles as the Chief Operations Manager at Industrial Equity Ltd to the CEO and Managing Director at Chase Corporation, Bill has consistently delivered exceptional financial results and successfully managed complex operations. Bill has made a significant impact in indigenous support through his role as the Founder and Patron of the National Indigenous Culinary Institute (NICI) and his involvement with the Clontarf Foundation.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chairman Chair of the Remuneration Committee Member of the Audit and Risk Management Committee Member of the Nomination Committee
Interests in shares:	8,000,000
Interests in options:	4,000,000
Name:	Robert Neale (appointed 29 May 2024)
Title:	Non-Executive Director
Qualifications:	B Science (First Class Honours in Geology & Mineralogy)
Experience and expertise:	Rob is an accomplished business leader with extensive experience as a director and executive in the resources sector. As the former MD and CEO of New Hope Corporation, he has a proven track record in operational and development roles. Rob served as Chairman of Nickel Industries Ltd (2018 – 2023) and has served as Chairman and Non-Executive Director for various organisations, inc. WestSide Corporation & Northern Energy Corporation as well as Director for Planet Gas and Bridgeport Energy. Rob was President of the Queensland Resources Council and Chairman of the Australian Coal Association Research Program.
Other current directorships:	None
Former directorships (last 3 years):	Non-Executive Chairman - Nickel Industries Ltd (16 April 2018 - 31 December 2023) Non-Executive Chairman - Mayur Resources Ltd (17 July 2017 - 1 May 2021)
Special responsibilities:	Deputy Chairman Chair of the Audit and Risk Management Committee Chair of the Nomination Committee Member of the Remuneration Committee
Interests in shares:	2,000,000
Interests in options:	2,000,000

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Name: **Matthew Torrance** (appointed 24 January 2024)
Title: Managing Director and Chief Executive Officer
Qualifications: None
Experience and expertise: Matt's career journey is marked by a series of significant milestones and achievements with over 30 years of experience as he continues the Torrance family legacy. Beginning his career as an apprentice boilermaker at Alfabs in the 80's, Matt quickly progressed to roles such as Workshop Supervisor, Estimator, and Workshop & Site Manager. His leadership skills and expertise led him to the position of GM in 2000. In 2010, Matt assumed the role of CEO. Throughout his career, Matt pioneered the establishment of Alfabs' Mining and Protective Coatings divisions and the acquisition in 2015 of Minepro (NSW) Pty Ltd and LFP Mining in 2020.

Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: Managing Director and Chief Executive Officer
Member of the Remuneration Committee

Interests in shares: 4,267,000
Interests in options: 3,500,000

Name: **Mark Harrison** (appointed 24 January 2024)
Title: Finance Director and Chief Financial Officer
Qualifications: BCom, CA
Experience and expertise: Mark, a Chartered Accountant, possesses a versatile financial and commercial skillset gained through his experience within a prominent accounting firm and various private entities. Additionally, he has gained valuable experience in both commercial and operational roles within the heavy transport and logistics industry. Mark has previously served as a director on not-for-profit boards in the Newcastle region and Hunter Valley.

Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: Finance Director and Chief Financial Officer
Member of the Audit and Risk Management Committee
Member of the Nomination Committee

Interests in shares: 1,350,000
Interests in options: 2,500,000

Name: **Paul Torrance** (appointed 24 January 2024 and resigned 29 May 2024)
Title: Managing Director
Qualifications: None
Experience and expertise: Since 1986, the Alfabs Group has been owned and operated by the Torrance family, led by Paul Torrance.

Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: Managing Director (resigned)
Interests in shares: 141,466,003 (as at the date of resignation)
Interests in options: Nil

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary

Clayton Freeman (B Com) has over 15 years of experience as a Chartered Accountant. Clayton has responsibility for all financial operations, treasury and company secretarial roles of the Group.

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Directors' report
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Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 30 June 2024, and the number of meetings attended by each Director were:

	Full Board**		Nomination Committee***		Remuneration Committee***	
	Attended	Held	Attended	Held	Attended	Held
Willam Wavish*	3	3	-	-	-	-
Robert Neale*	3	3	-	-	-	-
Matthew Torrance	3	3	-	-	-	-
Mark Harrison	3	3	-	-	-	-
Paul Torrance	1	3	-	-	-	-
					Audit and Risk Committee***	
					Attended	Held
Willam Wavish*					-	-
Robert Neale*					-	-
Matthew Torrance					-	-
Mark Harrison					-	-
Paul Torrance					-	-

* Appointed a Director on 29 May 2024.

** Board meetings held includes meetings held prior to the incorporation of Alfabs Australia Limited and attendance records include attendances in both capacity as Director once formally appointed and attendances prior as an invitee of the Board in place at the time while aware of pending appointments.

*** Given the close proximity of final Board formalisation and the end of the financial year, no committee meetings were held. The Board's focus during this time was on listing the Company on 28 June 2024. Committee meetings are scheduled to commence in early FY25.

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the *Corporations Act 2001* and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all Directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

Alfabs Australia Limited
Directors' report
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The Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its Directors and executives. The performance of the Group depends on the quality of its Directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The Remuneration Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the Group.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- having profitability as a core component of plan design
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive Director and executive Director remuneration is separate.

Non-executive Directors remuneration

Fees and payments to Non-Executive Directors reflect the demands and responsibilities of their role. Non-Executive Directors' fees and payments will be reviewed annually by the Remuneration Committee. The Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure Non-Executive Directors' fees and payments are appropriate and in line with the market. The initial remuneration of Non-Executive Directors was proposed by the Executive Directors based on input from third-party advisors associated with the IPO and ASX Listing and was agreed on appointment by the Non-Executive Directors.

As part of the arrangements leading up to the IPO of Alfabs Australia Limited the Non-Executive Directors received an award of unlisted options. The options are only subject to time-based service conditions and have an exercise price of 30 cents.

ASX listing rules require the aggregate Non-Executive Directors' remuneration be determined at a general meeting of the Company and this is currently set at \$600,000 per annum.

Executive remuneration

The Group aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Remuneration Committee based on individual and business unit performance, the overall performance of the Group and comparable market remunerations.

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The long-term incentives ('LTI') include long service leave and share-based payments. The Company has implemented an employee share option plan (ESOP) to assist in attracting, motivating and retaining management and employees. The aggregate pool of interests under the ESOP is limited to an interest in 11,000,000 shares. As part of the arrangements leading up to the IPO of Alfabs Australia Limited all KMP members (including the Non-Executive Directors) received an award of unlisted options. The Managing Director and the Finance Director were granted 3,500,000 and 2,500,000 options, respectively, under the ESOP. The options have an exercise price of 30 cents and are only subject to time-based service conditions.

Consolidated entity performance and link to remuneration

Historically the Group has engaged executives under fixed remuneration arrangements, other than in respect of the Board having the right to approve special performance based discretionary bonuses. The Directors are in the process of developing short-term incentive plans based on performance targets for executives, which are expected to be implemented in 2025. Refer to the section 'Additional information' below for details of the earnings and total shareholders return for the last two years.

Use of remuneration consultants

The Group did not engage remuneration consultants to prepare a formal remuneration report during the financial year ended 30 June 2024.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the Group are set out in the following tables.

The key management personnel of the Group consisted of the following Directors of Alfabs Australia Limited:

Name	Position	Short-term benefits		Post-employment benefits	Long-term benefits	Share-based payments	Total
		Cash salary and fees	Cash bonus	Non-cash and other ⁽⁴⁾	Super-annuation	Long service leave	
2024		\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
William Wavish ⁽¹⁾	Chairman (from 29 May 2024*)	206,669	-	-	-	789	207,458
Robert Neale	Director (from 29 May 2024)	13,562	-	-	-	394	13,956
<i>Executive Directors:</i>							
Paul Torrance ^{(1) (2)}	Director (from 1 July 2023, resigned 29 May 2024)	18,400	-	-	-	-	18,400
Matthew Torrance ⁽¹⁾	Managing Director and Chief Executive Officer	445,192	-	176,022	43,471	1,035	756,703
Mark Harrison ^{(1) (3)}	Finance Director and Chief Financial Officer	301,791	70,000	14,971	30,342	739	450,349
		985,614	70,000	190,993	73,813	2,957	1,446,866

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- (1) The remuneration disclosed includes amounts paid prior to the incorporation of Alfabs Australia Limited on 24 January 2024.
- (2) Paul Torrance resigned on 29 May 2024.
- (3) The bonus paid to Mark Harrison was a discretionary bonus.
- (4) Non-cash and other short-term benefits include the value of any fringe benefits and the movement in the annual leave provision.

* Engaged in a consultancy capacity from 15 September 2023.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration 2024	At risk - STI 2024	At risk - LTI 2024
<i>Non-Executive Directors:</i>			
William Wavish	100%	-	-
Robert Neale	100%	-	-
<i>Executive Directors:</i>			
Matthew Torrance	100%	-	-
Mark Harrison	84%	16%	-
<i>Other Key Management Personnel:</i>			
Paul Torrance	100%	-	-

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name: Matthew Torrance
Title: Managing Director and Chief Executive Officer
Agreement commenced: 1 July 2023
Term of agreement: Ongoing
Details: Fixed annual base salary of \$450,000 plus the minimum superannuation contribution guarantee. Matthew is also entitled to a motor vehicle for business purposes and reasonable personal use and a mobile phone. Either the employer or the employee can terminate Matthew's employment by giving 12 months' written notice. The employer may make payment in lieu of notice.

Name: Mark Harrison
Title: Finance Director and Chief Financial Officer
Agreement commenced: 1 July 2023
Term of agreement: Ongoing
Details: Fixed annual base salary of \$300,000 plus the minimum superannuation contribution guarantee. Mark is also entitled to a motor vehicle for business purposes and reasonable personal use, a laptop and a mobile phone. Either the employer or the employee can terminate Mark's employment by giving 12 months' written notice. The employer may make payment in lieu of notice.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares

There were no shares issued to Directors and other key management personnel as part of compensation during the year ended 30 June 2024.

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Options

During the year ended 30 June 2024, as part of the arrangements leading up to the IPO of Alfabs Australia Limited all KMP members (including the Non-Executive Directors) received an award of unlisted options, which were “out of the money” compared with the IPO price of 25 cents per share. The options are only subject to time-based service conditions. The options vest as set out in the following table:

Name	Number of options granted	Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
William Wavish	4,000,000	24/06/2024	24/05/2027	24/05/2028	\$0.3000	\$0.035
Robert Neale	2,000,000	24/06/2024	24/05/2027	24/05/2028	\$0.3000	\$0.035
Matthew Torrance	3,500,000	20/06/2024	20/05/2027	20/05/2028	\$0.3000	\$0.035
Mark Harrison	2,500,000	20/06/2024	20/05/2027	20/05/2028	\$0.3000	\$0.035

Options granted carry no dividend or voting rights.

Additional information

The earnings of the Group for the two years to 30 June 2024 are summarised below:

	2024 \$	2023 \$
Sales revenue	96,447,672	84,422,246
EBITDA	18,546,963	14,293,665
EBIT	10,810,284	7,837,225
Profit after income tax	3,664,404	4,816,613

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2024	2023
Share price at financial year end (\$)*	0.25	-
Basic earnings per share (cents per share)	2.15	2.98

* The Company's shares first traded on the ASX on 28 June 2024 after the successful completion of its IPO. Accordingly, no share price information has been provided prior to the 2024 financial year.

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the Company held during the financial year by each Director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Shares issued on incorporation	Additions Capital Reorganisation*	Additions Pre-IPO	Additions IPO	Disposals/ Other**	Balance at the end of the year
William Wavish	-	-	8,000,000	-	-	8,000,000
Robert Neale	-	-	1,600,000	400,000	-	2,000,000
Matthew Torrance	-	4,267,000	-	-	-	4,267,000
Mark Harrison	-	-	1,350,000	-	-	1,350,000
Paul Torrance	-	141,466,003	-	-	(141,466,003)	-
	-	145,733,003	10,950,000	400,000	(141,466,003)	15,617,000

Alfabs Australia Limited
Directors' report
30 June 2024

* Shares issued to acquire Alfabs Mining Equipment Pty Ltd and its subsidiaries.

** Includes balance retained on resignation.

Option holding

The number of options over ordinary shares in the Company held during the financial year by each Director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the date of incorporation	Granted Pre IPO	Exercised	Expired/ forfeited/ other	Balance at the end of the year
<i>Options over ordinary shares</i>					
William Wavish	-	4,000,000	-	-	4,000,000
Robert Neale	-	2,000,000	-	-	2,000,000
Matthew Torrance	-	3,500,000	-	-	3,500,000
Mark Harrison	-	2,500,000	-	-	2,500,000
	-	12,000,000	-	-	12,000,000

Loans to key management personnel and their related parties

Details of loans made to directors of Alfabs Australia Limited and other key management personnel of the Group, including their close family members and entities related to them, are set out below.

Name	Balance at the start of the year \$	Interest accrued \$	Advanced \$	Repaid \$	Transferred to dividends payables \$	Balance at the end of the year \$
Paul Torrance	4,835,584	158,347	162,779	(246,710)	(4,910,000)	-
Other KMP	79,526	3,679	-	(83,205)	-	-
	4,915,110	162,026	162,779	(329,915)	(4,910,000)	-

Included in trade and other receivables at 30 June 2023 were loans to 2 Directors amounting to \$80,190. The loans were unsecured and repayable on demand. Interest was payable on the loans at the rate of 8.27% per annum and the total interest paid was \$3,679 (2023: \$nil). Interest was not applied to company-to-company loans that did not fall under the Division 7A provisions. The loans were repaid during the 2024 financial year. No write-downs or allowances for doubtful receivables have been recognised in relation to these loans.

Interest received from Torrance Family Trust was also payable at the rate of 8.27% per annum.

Interest received from 3T Property Holdings Pty Ltd was payable at a weighted average interest rate of 7.76% per annum.

Other transactions with key management personnel and their related parties

The following are transactions with key management personnel and their related entities:

Alfabs Australia Limited
Directors' report
30 June 2024

- The Group sold various goods and services to entities controlled by Paul Torrance, primarily in connection with the construction of a shed at 152 Mitchell Avenue, Kurri Kurri prior to the acquisition of that property by the Group. These goods and services were supplied at market rates and payment was received by the Group by way of offset to the loan owing from Alfabs Mining Equipment Pty Ltd (as borrower) to Torrance Family Trust (as lender). The transactions were otherwise on normal terms and conditions.
- The loans to entities controlled by Paul Torrance were unsecured, repayable on demand at interest rates of 8.27% per annum.
- The Group leased premises from Mineway Pty Ltd as trustee for Mineway Trust, a discretionary trust of which Paul Torrance and Michele Torrance are the primary beneficiaries and Matthew Torrance (Managing Director and Chief Executive Officer of the Group) is in the class of eligible beneficiaries. The rental charged during the year of \$120,000 (2023: \$120,000) was based on market rates.
- The Group leased premises from Lomrew Nominees Pty Ltd as trustee for the Lomrew Unit Trust. The unitholders of the trust are: MWH Nominees No 2 Pty Ltd as trustee for MWH No 2 Trust, an entity controlled by Mark Harrison (Finance Director of the consolidated entity) - 50%; and JAM Management No 2 Pty Ltd as trustee for JAM No 2 Trust, a discretionary trust of which Paul Torrance and Michele Torrance are the primary beneficiaries and Matthew Torrance (Managing Director and Chief Executive Officer of the Group) is in the class of eligible beneficiaries – 50%. The rental charged during the year of \$45,900 (2023: \$42,000) was based on market rates.
- The Group leased premises from Shelpaul Investments Pty Ltd as trustee for the Torrance Unit Trust. The unitholders of the trust are: Tonol Pty Limited as trustee for Alfabs Superannuation Fund. Paul Torrance and Michele Torrance are members of the Alfabs Superannuation Fund. The rental charged during the year of \$520,000 (2023: \$300,000) was based on market rates.
- The Group leased premises from Tonol Pty Limited as trustee for Alfabs Superannuation Fund of which Paul Torrance and Michele Torrance are members. The rental charged during the year of \$215,000 (2023: \$150,000) was based on market rates.
- The Group leased premises from Torrance Investments Pty Ltd as trustee for Torrance Family Trust of which Paul Torrance, Michele Torrance and related individuals and entities are beneficiaries. The rental charged during the year of \$441,317 (2023 \$689,138) was based on market rates
- Dura Group Holdings Pty Ltd and its subsidiary Dura Sales (Aust) Pty Ltd (Dura Sales) are related entities of Paul Torrance. Dura Sales subleases part of the property at 585 Varty Street, Weston NSW 2326 from Alfabs Mining Equipment for \$1,000 per month plus GST. The total rental received was \$6,000 (2023: \$nil).
- On 31 January 2024, the Group acquired 152 Mitchell Avenue, Kurri Kurri NSW 2327 and 15 Titanium Drive, Paget Qld 4740, at market value, from the Torrance Family Trust in exchange for shares. The total value of the transaction was \$20,900,000.
- Paul Torrance acquired a Toyota Landcruiser motor vehicle from The Group for market value of \$85,000.
- The Group purchased an abrasive blast chamber from Paul and Michele Torrance for market value of \$150,000.
- The Group purchased 4 driftrunner shells with compliance plates for \$22,000 (inclusive of GST) (plus freight and cranage) from Mulloway Ink Pty Ltd, an entity controlled by the Torrance family.

Aggregate amounts of each of the above types of other transactions with key management personnel of Alfabs Australia Limited:

	Consolidated	
	2024	2023
	\$	\$
<i>Amounts recognised as revenue</i>		
Rendering of services and sale of goods	1,591,571	602,119
Interest received	162,026	198,034

Alfabs Australia Limited
Directors' report
30 June 2024

Consolidated
2024 **2023**
\$ **\$**

Amounts recognised as assets and liabilities

Current assets:

Trade and other receivables	21,210	465,153
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Non-current assets:

Property, plant and equipment	21,070,000	-
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Current liabilities:

Trade payables	495	-
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Properties leased from key management personnel and their related entities are recognised as right-of-use assets in accordance with AASB 16, resulting in the capitalisation of lease assets and corresponding liabilities. The lease payments made during the year reduced the lease liability on the statement of financial position. These payments are not recognised as an expense in the statement of profit or loss.

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares of Alfabs Australia Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
20/06/2024	20/05/2028	\$0.3000	11,000,000
24/06/2024	24/05/2028	\$0.3000	6,000,000
24/06/2024	24/05/2028	\$0.3000	<u>7,000,000</u>
			<u><u>24,000,000</u></u>

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

Shares issued on the exercise of options

There were no ordinary shares of Alfabs Australia Limited issued on the exercise of options during the year ended 30 June 2024 and up to the date of this report.

Share options granted to directors and officers

Options over unissued ordinary shares granted during or since the end of the financial year to directors and any of the 5 most highly remunerated officers of the Company (other than the directors) as part of their remuneration, are outlined in the following table:

<i>Name</i>	<i>Issuing entity</i>	<i>Number of options granted</i>
William Wavish	Alfabs Australia Limited	4,000,000
Robert Neale	Alfabs Australia Limited	2,000,000
Matthew Torrance	Alfabs Australia Limited	3,500,000
Mark Harrison	Alfabs Australia Limited	2,500,000
Shayne Franklin	Alfabs Australia Limited	1,000,000
Henry Thompson	Alfabs Australia Limited	1,000,000
Andrew Torrance	Alfabs Australia Limited	750,000
Jason Torrance	Alfabs Australia Limited	750,000
Clayton Freeman	Alfabs Australia Limited	500,000

Alfabs Australia Limited
Directors' report
30 June 2024

Indemnity and insurance of officers

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

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

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company

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

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 26 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The Directors are of the opinion that the services as disclosed in note 26 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Officers of the Company who are former partners of Pitcher Partners NH Partnership

There are no officers of the Company who are former partners of Pitcher Partners NH Partnership.

Rounding of amounts

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this Directors' report.

Auditor

Pitcher Partners NH Partnership continues in office in accordance with section 327 of the *Corporations Act 2001*.

Alfabs Australia Limited
Directors' report
30 June 2024

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the Directors



William Wavish
Chair



Matthew Torrance
Managing Director and Chief Executive Officer

26 August 2024
Kurri Kurri

Auditor's independence declaration

To the Directors of Alfabs Australia Limited

In accordance with section 307C of the *Corporations Act 2001*, I declare to the best of my knowledge and belief in relation to the audit of the financial report of Alfabs Australia Limited for the year ended 30 June 2024, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* in relation to the audit.



Shaun Mahony - Partner



Pitcher Partners NH Partnership
Chartered Accountants

Dated: 26 August 2024
Newcastle West, NSW

Alfabs Australia Limited

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Alfabs Australia Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2024

	Note	Consolidated	
		2024	2023
		\$	\$
Revenue	5	96,447,672	84,422,246
Other income	6	582,875	93,394
Interest revenue		165,801	198,034
Expenses			
Purchases of raw materials and consumables used and changes in inventories		(35,450,856)	(31,122,910)
Employee benefits expense		(30,024,666)	(26,874,278)
Depreciation and amortisation expense	7	(7,736,679)	(6,456,440)
Electricity and gas		(913,458)	(795,671)
Insurance		(2,138,461)	(1,800,802)
Rent - property and equipment short-term and low-value leases		(790,813)	(782,456)
Repairs and maintenance		(2,886,323)	(2,892,290)
Transaction costs in connection with the IPO and preparation towards the IPO		(1,229,723)	-
Other expenses		(5,049,284)	(5,953,568)
Finance costs	7	(1,338,339)	(1,060,429)
Total expenses		<u>(87,558,602)</u>	<u>(77,738,844)</u>
Profit before income tax expense		9,637,746	6,974,830
Income tax expense	8	<u>(5,973,342)</u>	<u>(2,158,217)</u>
Profit after income tax expense for the year		3,664,404	4,816,613
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		<u>3,664,404</u>	<u>4,816,613</u>
Profit for the year is attributable to:			
Non-controlling interest		110,861	340,190
Owners of Alfabs Australia Limited		<u>3,553,543</u>	<u>4,476,423</u>
		<u>3,664,404</u>	<u>4,816,613</u>
Total comprehensive income for the year is attributable to:			
Non-controlling interest		110,861	340,190
Owners of Alfabs Australia Limited		<u>3,553,543</u>	<u>4,476,423</u>
		<u>3,664,404</u>	<u>4,816,613</u>
		Cents	Cents
Basic earnings per share	33	2.15	2.98
Diluted earnings per share	33	2.15	2.98

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Alfabs Australia Limited
Consolidated statement of financial position
As at 30 June 2024

	Note	Consolidated	
		2024	2023
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	9	23,595,792	2,951,515
Trade and other receivables	10	13,694,273	20,573,887
Contract assets	11	624,291	1,913,916
Inventories	12	5,893,274	11,252,029
Total current assets		<u>43,807,630</u>	<u>36,691,347</u>
Non-current assets			
Property, plant and equipment	13	62,229,993	31,340,231
Right-of-use assets	14	5,581,759	2,516,436
Intangibles	15	239,934	240,084
Deferred tax	8	3,922,224	3,341,905
Total non-current assets		<u>71,973,910</u>	<u>37,438,656</u>
Total assets		<u>115,781,540</u>	<u>74,130,003</u>
Liabilities			
Current liabilities			
Trade and other payables	16	14,690,452	14,927,728
Contract liabilities	17	2,884,488	7,722,616
Borrowings	18	16,583,291	8,788,842
Lease liabilities	19	756,879	607,468
Income tax	8	4,634,563	2,029,529
Employee benefits	20	2,471,643	2,065,110
Total current liabilities		<u>42,021,316</u>	<u>36,141,293</u>
Non-current liabilities			
Borrowings	18	2,792,355	5,689,985
Lease liabilities	19	5,404,198	2,346,225
Deferred tax	8	8,522,539	4,249,164
Employee benefits	20	297,092	207,336
Total non-current liabilities		<u>17,016,184</u>	<u>12,492,710</u>
Total liabilities		<u>59,037,500</u>	<u>48,634,003</u>
Net assets		<u>56,744,040</u>	<u>25,496,000</u>
Equity			
Issued capital	21	54,622,759	396,972
Reserves	22	(13,517,763)	-
Retained profits		15,639,044	24,091,444
Equity attributable to the owners of Alfabs Australia Limited		<u>56,744,040</u>	<u>24,488,416</u>
Non-controlling interest		-	1,007,584
Total equity		<u>56,744,040</u>	<u>25,496,000</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Alfabs Australia Limited
Consolidated statement of changes in equity
For the year ended 30 June 2024

Consolidated	Issued capital \$	Reserves \$	Retained profits \$	Non-controlling interest \$	Total equity \$
Balance at 1 July 2022	396,972	-	19,615,021	667,394	20,679,387
Profit after income tax expense for the year	-	-	4,476,423	340,190	4,816,613
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	4,476,423	340,190	4,816,613
Balance at 30 June 2023	396,972	-	24,091,444	1,007,584	25,496,000

Consolidated	Issued capital \$	Reserves \$	Retained profits \$	Non-controlling interest \$	Total equity \$
Balance at 1 July 2023	396,972	-	24,091,444	1,007,584	25,496,000
Profit after income tax expense for the year	-	-	3,553,543	110,861	3,664,404
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	3,553,543	110,861	3,664,404
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity through capital raising, net of transaction costs (note 21)	28,180,081	-	-	-	28,180,081
Share-based payments (note 34)	-	5,817	-	-	5,817
Acquisition of non-controlling interests (note 30)	170,000	-	183,445	(1,118,445)	(765,000)
Capital reorganisation (note 34)	25,875,706	(13,523,580)	(2,499,388)	-	9,852,738
Dividends paid (note 23)	-	-	(9,690,000)	-	(9,690,000)
Balance at 30 June 2024	54,622,759	(13,517,763)	15,639,044	-	56,744,040

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Alfabs Australia Limited
Consolidated statement of cash flows
For the year ended 30 June 2024

	Note	Consolidated	
		2024	2023
		\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		106,023,911	94,066,479
Payments to suppliers and employees (inclusive of GST)		(84,991,905)	(79,849,364)
Interest received		165,801	198,034
Interest and other finance costs paid		(1,338,339)	(1,060,429)
Income taxes paid		(2,521,998)	(43,053)
Net cash from operating activities	32	<u>17,337,470</u>	<u>13,311,667</u>
Cash flows from investing activities			
Payments to acquire non-controlling interest in subsidiary	30	(765,000)	-
Payments for property, plant and equipment		(19,469,754)	(11,385,356)
Proceeds from disposal of property, plant and equipment		420,218	-
Proceeds from trust distributions		-	196,392
Net cash used in investing activities		<u>(19,814,536)</u>	<u>(11,188,964)</u>
Cash flows from financing activities			
Proceeds from issue of shares	21	30,000,000	-
Proceeds from bank loans	32	9,358,981	-
Proceeds from asset finance	32	1,081,622	3,399,466
Repayment of bank loans	32	(2,175,000)	-
Repayment of asset finance	32	(6,716,078)	(5,518,251)
Repayment of principal element of finance leases	32	(628,041)	(534,254)
Net proceeds from/(repayment of) related party loans	32	9,744	(243,679)
Share issue transaction costs		(2,809,885)	-
Dividends paid		(5,000,000)	-
Net cash from/(used in) financing activities		<u>23,121,343</u>	<u>(2,896,718)</u>
Net increase/(decrease) in cash and cash equivalents		20,644,277	(774,015)
Cash and cash equivalents at the beginning of the financial year		<u>2,951,515</u>	<u>3,725,530</u>
Cash and cash equivalents at the end of the financial year	9	<u><u>23,595,792</u></u>	<u><u>2,951,515</u></u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Alfabs Australia Limited
Notes to the consolidated financial statements
30 June 2024

Note 1. General information

The financial statements cover Alfabs Australia Limited as a Group consisting of Alfabs Australia Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Alfabs Australia Limited's functional and presentation currency.

Alfabs Australia Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

152 Mitchell Avenue
Kurri Kurri
NSW 2327

A description of the nature of the Group's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 26 August 2024. The Directors have the power to amend and reissue the financial statements.

Note 2. Material accounting policy information

The accounting policies that are material to the Group are set out either in the respective notes or below. The accounting policies adopted are consistent with those of the previous financial year, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

New/amended pronouncement	Effective date	Impact on financial statements
AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023	No material impact on the Group
AASB 17 Insurance Contracts and AASB 2022-8 Amendments to Australian Accounting Standards – Insurance Contracts: Consequential Amendments	1 January 2023	No material impact on the Group
AASB 2022-7 Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards	1 January 2023	No material impact on the Group
AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates	1 January 2023	No material impact on the Group

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Alfabs Australia Limited (AAL) was incorporated on 24 January 2024. On 31 January 2024 a capital reorganisation was completed with Alfabs Australia Limited becoming the new holding company and parent entity of the Group.

The Directors determined that the capital reorganisation did not represent a business combination as defined by AASB 3 'Business combinations'.

Alfabs Australia Limited
Notes to the consolidated financial statements
30 June 2024

Note 2. Material accounting policy information (continued)

Historical cost convention

The financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 29.

Principles of group combination or consolidation

The Group financial statements comprise the consolidated financial statements of Alfabs Australia Limited ('Company' or 'parent entity') and its subsidiaries for the period 1 February 2024 to 30 June 2024 and the combination of Alfabs Mining Equipment Pty Limited and other related entities for the period 1 July 2023 to 31 January 2024 (together referred to hereafter as the 'Group').

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Group. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2024. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Revenue from contracts with customers involving sale of goods and services

Management uses judgement in selecting an appropriate measure of progress towards completing satisfaction of an obligation. The selected method considers the nature of the good or service that the Group has promised to transfer to the customer. Determining the stage of completion based on a percentage of costs to complete requires an estimate of expenses incurred to date as a percentage of total estimated costs. When a contract modification exists and the Group has an approved enforceable right to payment, revenue in relation to claims and variations is only included in the transaction price when the amount claimable becomes highly probable. Management uses judgement in determining whether an approved enforceable right exists. Determining the amount of variable consideration requires an estimate based on either the 'expected value' or the 'most likely amount'. The estimate of variable consideration is recognised to the extent it is highly probable to be received. Changes in these estimates or judgements could have a material impact on the financial statements of the Group.

Allowance for expected credit losses

The allowance for expected credit losses assessment for trade receivables and contract assets requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates and forward-looking information that is available.

Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Estimation of useful lives of assets

The useful life of property, plant and equipment, intangible assets and lease assets (where useful life is greater than the lease term) is initially assessed at the date the asset is ready for use and reassessed at each reporting date based on the use of the assets and the period over which economic benefits will be derived from the asset. There is uncertainty in relation to the assessment of the life of the asset including factors such as the rate of wear and tear and technical obsolescence. The estimates and judgements involved may impact the carrying value of the noncurrent assets and the depreciation and amortisation charges recorded in the statement of profit or loss and other comprehensive income should they change. There was no material adjustment required to the estimated useful lives of any assets during the financial year (2023: no adjustment).

Note 4. Operating segments

Identification of reportable operating segments

The Group is organised into three operating segments: Mining, Engineering and Other. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on a monthly basis.

Note 4. Operating segments (continued)

The reportable segments of the business are as follows:

Segment	Description of segment
Mining	The manufacture, repair, overhaul servicing and hire of underground mining and ancillary equipment together with sales of mining related consumables and spare parts.
Engineering	Heavy steel fabrication, site installation works and site based maintenance.
Other	Represents head office (including shared corporate services) plus ancillary businesses including protective coatings and transport

Intersegment transactions

Intersegment transactions were made at market rates. Intersegment transactions are eliminated on consolidation.

Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Major customers

For the years ended 30 June 2024 and 30 June 2023, there was no customer who contributed more than 10% to the Group's revenue.

Alfabs Australia Limited
Notes to the consolidated financial statements
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Note 4. Operating segments (continued)

Operating segment information

Consolidated - 2024	Mining \$	Engineering \$	Other \$	Eliminations \$	Total \$
Revenue					
Sales to external customers	48,780,467	42,866,311	4,620,951	-	96,267,729
Intersegment sales	704,682	930,214	4,842,972	(6,477,868)	-
Total sales revenue	49,485,149	43,796,525	9,463,923	(6,477,868)	96,267,729
Other revenue	179,943	-	-	-	179,943
Interest revenue	15,597	26,088	124,116	-	165,801
Total revenue	49,680,689	43,822,613	9,588,039	(6,477,868)	96,613,473
Adjusted EBITDA*					
Depreciation and amortisation	(6,348,551)	(635,137)	(752,991)	-	(7,736,679)
Interest revenue	15,597	26,088	124,116	-	165,801
Finance costs	(891,033)	(280,268)	(167,038)	-	(1,338,339)
Transaction costs in connection with the IPO	-	-	(1,229,723)	-	(1,229,723)
Profit/(loss) before income tax expense	7,931,957	2,754,256	(1,048,467)	-	9,637,746
Income tax expense					(5,973,342)
Profit after income tax expense					3,664,404
Assets					
Segment assets	91,328,405	20,619,292	12,103,148	(35,786,021)	88,264,824
<i>Unallocated assets:</i>					
<i>Alfabs Australia Ltd (the parent entity)**</i>					
Cash at bank					18,097,803
Receivables					9,418,913
Total assets					115,781,540
<i>Total assets includes:</i>					
Acquisition of non-current assets	37,578,802	68,535	499,332	-	38,146,669
Liabilities					
Segment liabilities	63,005,943	18,094,636	14,302,709	(36,365,788)	59,037,500
Total liabilities					59,037,500

* Adjusted EBITDA excludes effects of significant items of income and expenditure which may have an impact on the quality of earnings such as transaction costs in connection with the IPO and other non-recurring expenses.

** The assets of Alfabs Australia Ltd (the parent entity) are considered to be not attributable to any operating segment of the Group and have been left unallocated.

Alfabs Australia Limited
Notes to the consolidated financial statements
30 June 2024

Note 4. Operating segments (continued)

Consolidated - 2023	Mining \$	Engineering \$	Other \$	Eliminations \$	Total \$
Revenue					
Sales to external customers	36,360,102	41,482,039	6,580,105	-	84,422,246
Intersegment sales	794,013	422,366	5,038,118	(6,254,497)	-
Total sales revenue	37,154,115	41,904,405	11,618,223	(6,254,497)	84,422,246
Interest revenue	10,304	27,668	160,062	-	198,034
Total revenue	37,164,419	41,932,073	11,778,285	(6,254,497)	84,620,280
EBITDA					
Depreciation and amortisation	(4,699,779)	(576,334)	(1,180,178)	-	(6,456,291)
Interest revenue	10,304	27,668	160,062	-	198,034
Finance costs	(821,406)	(134,311)	(104,712)	-	(1,060,429)
Profit/(loss) before income tax expense	8,229,407	(1,513,145)	258,568	-	6,974,830
Income tax expense					(2,158,217)
Profit after income tax expense					4,816,613
Assets					
Segment assets	60,484,004	17,385,912	8,316,972	(12,056,885)	74,130,003
Total assets					74,130,003
<i>Total assets includes:</i>					
Acquisition of non-current assets	11,126,334	82,501	176,522	-	11,385,357
Liabilities					
Segment liabilities	40,844,349	15,549,506	10,623,097	(18,382,949)	48,634,003
Total liabilities					48,634,003

Note 5. Revenue

	Consolidated	
	2024	2023
	\$	\$
<i>Revenue from contracts with customers</i>		
Rendering of services	67,885,401	57,541,020
Equipment hire	21,007,155	19,764,331
Sale of goods	7,375,173	7,116,895
	<u>96,267,729</u>	<u>84,422,246</u>
<i>Other revenue</i>		
Rent	179,943	-
Revenue	<u>96,447,672</u>	<u>84,422,246</u>

Alfabs Australia Limited
Notes to the consolidated financial statements
30 June 2024

Note 5. Revenue (continued)

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

	Consolidated	
	2024	2023
	\$	\$
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	7,375,173	7,116,895
Services transferred over time	63,873,466	61,246,370
Services transferred at a point in time	25,019,090	16,058,981
	<u>96,267,729</u>	<u>84,422,246</u>

Included in the following tables are reconciliations of the disaggregated revenue and other revenue with the consolidated entity's reportable segments (refer note 4).

	Mining \$	Engineering \$	Other \$	Eliminations \$	Total \$
2024					
Rendering of services	21,090,113	43,796,525	8,514,440	(5,515,677)	67,885,401
Sale of goods	8,079,856	-	-	(704,683)	7,375,173
Equipment hire	20,315,180	-	949,483	(257,508)	21,007,155
	<u>49,485,149</u>	<u>43,796,525</u>	<u>9,463,923</u>	<u>(6,477,868)</u>	<u>96,267,729</u>
<i>Other revenue</i>	179,943	-	-	-	179,943
	<u>49,665,092</u>	<u>43,796,525</u>	<u>9,463,923</u>	<u>(6,477,868)</u>	<u>96,447,672</u>
	Mining \$	Engineering \$	Other \$	Eliminations \$	Total \$
2023					
Rendering of services	10,079,046	41,904,405	10,446,484	(4,888,915)	57,541,020
Sale of goods	7,910,908	-	-	(794,013)	7,116,895
Equipment hire	19,164,161	-	1,171,739	(571,569)	19,764,331
	<u>37,154,115</u>	<u>41,904,405</u>	<u>11,618,223</u>	<u>(6,254,497)</u>	<u>84,422,246</u>

Accounting policy for revenue recognition

Rendering of services

The Group primarily generates service revenue from the following activities:

- Maintenance, repairs, outages/shutdowns and critical maintenance projects
- Diesel overhauls and repairs for underground mining equipment
- Fabrication and installation services in the infrastructure, resources, rail and water industries

Services contracts are generally entered under a formal contract arrangement or Purchase Order.

Alfabs Australia Limited
Notes to the consolidated financial statements
30 June 2024

Note 5. Revenue (continued)

The contractual terms and the way in which the Group operates its services contracts results in the recognition of revenue as follows:

- (a) Maintenance Services - The performance obligations of service contracts, generally result in the customer consuming and receiving the benefit of the service as it is provided. As such, service revenue is recognised over time as the services are provided.
- (b) Projects - The revenue from projects is predominantly derived from projects containing one performance obligation, however some contracts may contain multiple performance obligations.
- (c) The Group recognises revenue from projects over time based on the stage of completion of the contract where the following criteria are met:
 - performance creates or enhances an asset that the customer controls as the asset is created or enhanced, or;
 - performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Where the above criteria are not met the project revenue is recognised at a point in time, being completion of the project.

The Group recognises revenue using the measure of progress that best reflects the Group's performance in satisfying the performance obligation over time and this is generally the costs incurred method.

Sale of goods

Revenue from the sale of products is recognised when control of the product has transferred to the customer. For such transactions, this occurs when the products are delivered to the customer as this is when the performance obligation has been satisfied.

Equipment hire

The consolidated entity generates equipment hire revenue primarily from the hire of underground mining and other equipment. Equipment hire contracts are generally entered for a fixed term rental period and the revenue is recognised on a straight line basis over the term of the rental agreement.

Note 6. Other income

	Consolidated	
	2024	2023
	\$	\$
Net gain on disposal of property, plant and equipment	129,738	-
Insurance recoveries	307,396	-
Other	145,741	93,394
	<hr/>	<hr/>
Other income	<u>582,875</u>	<u>93,394</u>

Alfabs Australia Limited
Notes to the consolidated financial statements
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Note 7. Expenses

	Consolidated	
	2024	2023
	\$	\$
Profit before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Buildings	250,000	-
Leasehold improvements	63,682	57,049
Plant, machinery and vehicles	6,599,191	5,746,803
Furniture, fittings and equipment	53,554	46,592
Buildings right-of-use assets	770,102	605,846
	<hr/>	<hr/>
Total depreciation	7,736,529	6,456,290
<i>Amortisation</i>		
Patents, trademarks and licences	150	150
	<hr/>	<hr/>
Total depreciation and amortisation	7,736,679	6,456,440
<i>Finance costs</i>		
Interest and finance charges paid/payable on borrowings	881,005	837,613
Interest and finance charges paid/payable on lease liabilities	457,334	222,816
	<hr/>	<hr/>
Finance costs expensed	1,338,339	1,060,429
<i>Superannuation expense</i>		
Defined contribution superannuation expense	2,337,165	2,009,877
	<hr/>	<hr/>
<i>Share-based payments expense</i>		
Share-based payments expense	5,817	-
	<hr/>	<hr/>

Alfabs Australia Limited
Notes to the consolidated financial statements
30 June 2024

Note 8. Income tax

	Consolidated	
	2024	2023
	\$	\$
<i>Income tax expense</i>		
Current tax	5,127,031	1,757,209
Deferred tax - origination and reversal of temporary differences	846,311	401,008
	<u>5,973,342</u>	<u>2,158,217</u>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit before income tax expense	9,637,746	6,974,830
Tax at the statutory tax rate of 30%	2,891,324	2,092,449
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	211,528	65,768
	<u>3,102,852</u>	<u>2,158,217</u>
Changes in deferred tax balances on capital reorganisation	495,607	-
Capital gains on capital reorganisation	2,374,883	-
	<u>5,973,342</u>	<u>2,158,217</u>
	Consolidated	
	2024	2023
	\$	\$
<i>Amounts credited directly to equity</i>		
Deferred tax assets	(842,966)	-
	Consolidated	
	2024	2023
	\$	\$
<i>Deferred tax asset</i>		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Tax losses	-	1,055,813
Provisions	830,621	681,734
Lease liabilities	1,848,323	886,108
Accruals	497,775	452,965
Other	745,505	265,285
	<u>3,922,224</u>	<u>3,341,905</u>
Deferred tax asset	<u>3,922,224</u>	<u>3,341,905</u>
Movements:		
Opening balance	3,341,905	3,022,786
Credited/(charged) to profit or loss	(262,647)	319,119
Credited to equity	842,966	-
	<u>3,922,224</u>	<u>3,341,905</u>
Closing balance	<u>3,922,224</u>	<u>3,341,905</u>

Alfabs Australia Limited
Notes to the consolidated financial statements
30 June 2024

Note 8. Income tax (continued)

	Consolidated	
	2024	2023
	\$	\$
<i>Deferred tax liability</i>		
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Property, plant and equipment	6,848,011	3,478,948
Right-of-use assets	1,674,528	754,931
Other	-	15,285
	<u>8,522,539</u>	<u>4,249,164</u>
Movements:		
Opening balance	4,249,164	3,529,037
Charged to profit or loss	583,664	720,127
Additions through capital reorganisation	3,689,711	-
	<u>8,522,539</u>	<u>4,249,164</u>
	<u>8,522,539</u>	<u>4,249,164</u>
	2024	2023
	\$	\$
<i>Provision for income tax</i>		
Provision for income tax	<u>4,634,563</u>	<u>2,029,529</u>

Accounting policy for income tax

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Alfabs Australia Limited (the 'head entity') and its wholly-owned Australian subsidiaries are an income tax consolidated group under the tax consolidation regime.

Under the previous structure, Alfabs Mining Equipment Pty Limited and its wholly owned subsidiaries were a tax consolidated group, and as part of the capital reorganisation undertaken during the year the remainder of the subsidiaries also joined this existing tax consolidated group with Alfabs Australia Limited becoming the head entity. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

Alfabs Australia Limited
Notes to the consolidated financial statements
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Note 8. Income tax (continued)

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Note 9. Cash and cash equivalents

	Consolidated	
	2024	2023
	\$	\$
<i>Current assets</i>		
Cash on hand	-	511
Cash at bank	23,595,792	2,951,004
	<u>23,595,792</u>	<u>2,951,515</u>

Note 10. Trade and other receivables

	Consolidated	
	2024	2023
	\$	\$
<i>Current assets</i>		
Trade receivables - revenue from contracts with customers	13,371,884	16,057,527
Less: Allowance for expected credit losses	(307,030)	(152,833)
	<u>13,064,854</u>	<u>15,904,694</u>
Related party loans	-	4,915,110
Less: Allowance for expected credit losses	-	(683,909)
	<u>-</u>	<u>4,231,201</u>
Other receivables	629,419	437,992
	<u>13,694,273</u>	<u>20,573,887</u>

Allowance for expected credit losses

The Group has recognised a loss of \$256,281 (2023: \$36,047) in profit or loss in respect of the expected credit losses for the year ended 30 June 2024.

Note 10. Trade and other receivables (continued)

The ageing of the trade receivables and allowance for expected credit losses provided for above are as follows:

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	2024	2023	2024	2023	2024	2023
	%	%	\$	\$	\$	\$
Not overdue	2.2%	0.1%	8,235,270	11,388,605	177,323	13,479
0 to 3 months overdue	0.3%	1.4%	4,284,691	2,951,665	13,793	40,065
3 to 6 months overdue	0.2%	3.8%	564,416	768,604	1,078	29,262
Over 6 months overdue	39.9%	7.4%	287,507	948,653	114,836	70,027
			<u>13,371,884</u>	<u>16,057,527</u>	<u>307,030</u>	<u>152,833</u>

Movements in the allowance for expected credit losses are as follows:

	Consolidated	
	2024	2023
	\$	\$
Opening balance	152,833	135,074
Additional provisions recognised	256,281	36,047
Receivables written off as uncollectible	(82,558)	-
Unused amounts reversed	(19,526)	(18,288)
Closing balance	<u>307,030</u>	<u>152,833</u>

Accounting policy for trade and other receivables

Receivables from contracts with customers represent the Group's unconditional right to consideration from the transfer of goods or services to customers. Subsequent to initial recognition, receivables from contracts with customers are measured at amortised cost.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Note 11. Contract assets

	Consolidated	
	2024	2023
	\$	\$
<i>Current assets</i>		
Contract assets	<u>624,291</u>	<u>1,913,916</u>

The Engineering segment comprises the entire contract asset balance at 30 June 2024 and 30 June 2023, and the decrease is largely due to changes in the contract mix at 30 June 2024.

Accounting policy for contract assets

Contract assets primarily relate to the Group's rights to consideration for work performed but not billed at the reporting date. The contract assets are transferred to trade receivables when the rights have become unconditional. This usually occurs when the Group issues an invoice in accordance with contractual terms to the customer. Payments from customers are received based on a billing schedule/milestone basis, as established in our contracts.

Alfabs Australia Limited
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Note 12. Inventories

	Consolidated	
	2024	2023
	\$	\$
<i>Current assets</i>		
Raw materials - at cost	4,467,645	5,513,467
Less: Provision for impairment	(300,000)	(200,000)
	<u>4,167,645</u>	<u>5,313,467</u>
Work in progress - at cost	<u>1,725,629</u>	<u>5,938,562</u>
	<u><u>5,893,274</u></u>	<u><u>11,252,029</u></u>

Amounts recognised in profit or loss

	Consolidated	
	2024	2023
	\$	\$
Inventories recognised as an expense during the year	<u>8,149,582</u>	<u>7,237,759</u>

Accounting policy for inventories

Raw materials and work in progress are stated at the lower of cost and net realisable value. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Note 13. Property, plant and equipment

	Consolidated	
	2024	2023
	\$	\$
<i>Non-current assets</i>		
Land and buildings - at cost	22,245,664	-
Less: Accumulated depreciation	(302,826)	-
	<u>21,942,838</u>	<u>-</u>
Leasehold improvements - at cost	891,939	1,158,425
Less: Accumulated depreciation	(112,485)	(160,181)
	<u>779,454</u>	<u>998,244</u>
Plant, machinery and vehicles - at cost	53,886,860	51,225,092
Less: Accumulated depreciation	(29,738,075)	(23,777,000)
	<u>24,148,785</u>	<u>27,448,092</u>
Furniture, fittings and equipment - at cost	429,477	375,903
Less: Accumulated depreciation	(260,070)	(204,040)
	<u>169,407</u>	<u>171,863</u>
Capital work in progress	<u>15,189,509</u>	<u>2,722,032</u>
	<u><u>62,229,993</u></u>	<u><u>31,340,231</u></u>

Alfabs Australia Limited
Notes to the consolidated financial statements
30 June 2024

Note 13. Property, plant and equipment (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Land and buildings \$	Leasehold improvements \$	Plant, machinery and vehicles \$	Furniture, fittings and equipment \$	Capital work in progress \$	Total \$
Balance at 1 July 2022	-	1,046,838	19,405,323	176,904	5,627,708	26,256,773
Additions	-	8,455	10,784,426	41,551	550,924	11,385,356
Disposals	-	-	(144,854)	-	(6,600)	(151,454)
Impairment of assets	-	-	(300,000)	-	-	(300,000)
Transfers in/(out)	-	-	3,450,000	-	(3,450,000)	-
Depreciation expense	-	(57,049)	(5,746,803)	(46,592)	-	(5,850,444)
Balance at 30 June 2023	-	998,244	27,448,092	171,863	2,722,032	31,340,231
Additions	22,031,605	34,198	2,935,835	51,213	12,793,818	37,846,669
Disposals	-	(35,528)	(254,837)	(115)	-	(290,480)
Reversal of impairment	-	-	300,000	-	-	300,000
Transfers in/(out)	161,233	(153,778)	318,886	-	(326,341)	-
Depreciation expense	(250,000)	(63,682)	(6,599,191)	(53,554)	-	(6,966,427)
Balance at 30 June 2024	<u>21,942,838</u>	<u>779,454</u>	<u>24,148,785</u>	<u>169,407</u>	<u>15,189,509</u>	<u>62,229,993</u>

Accounting policy for property, plant and equipment

Buildings, leasehold improvements and each class of plant and equipment is measured at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Buildings	up to 40 years
Leasehold improvements	12.5 - 20 years
Plant and machinery - major	3 - 18 years
Plant and machinery - minor	1 - 5 years
Vehicles	5 - 7.5 years
Furniture, fittings and equipment	3 - 5 years

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

The major plant and equipment (primarily underground mining hire equipment) is separated into components, and these are depreciated separately based on the expected useful life as determined by the regulatory conditions related to the machine.

Property, plant and equipment is tested for impairment whenever events or circumstances indicate that the asset may be impaired. For impairment assessment purposes, assets are generally grouped at the lowest levels for which there are largely independent cash inflows ('cash generating units'). Accordingly, most assets are tested for impairment at the cash-generating unit level. An impairment loss is recognised when the carrying amount of an asset or cash generating unit (to which the asset belongs) exceeds its recoverable amount.

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Note 14. Right-of-use assets

	Consolidated	
	2024	2023
	\$	\$
<i>Non-current assets</i>		
Land and buildings - right-of-use	6,946,579	4,528,001
Less: Accumulated depreciation	(1,364,820)	(2,011,565)
	<u>5,581,759</u>	<u>2,516,436</u>

At 30 June 2024, the Group leased 5 properties used for its operations on long-term agreements with options to extend. The leases have various escalation clauses with CPI increases annually and market review on the commencement of each option period.

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Land and buildings \$
Balance at 1 July 2022	3,122,282
Depreciation expense	<u>(605,846)</u>
Balance at 30 June 2023	2,516,436
Additions	3,835,425
Depreciation expense	<u>(770,102)</u>
Balance at 30 June 2024	<u><u>5,581,759</u></u>

Accounting policy for right-of-use assets

Right-of-use assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

Note 15. Intangibles

	Consolidated	
	2024	2023
	\$	\$
<i>Non-current assets</i>		
Goodwill - at cost	239,784	239,784
Patents, trademarks and licenses - at cost	3,000	3,000
Less: Accumulated amortisation	(2,850)	(2,700)
	<u>150</u>	<u>300</u>
	<u>239,934</u>	<u>240,084</u>

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Note 15. Intangibles (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Goodwill \$	Patents, trademarks and licenses \$	Total \$
Balance at 1 July 2022	239,784	450	240,234
Amortisation expense	-	(150)	(150)
Balance at 30 June 2023	239,784	300	240,084
Amortisation expense	-	(150)	(150)
Balance at 30 June 2024	239,784	150	239,934

Impairment testing of goodwill and intangible assets with indefinite useful lives

For the purposes of impairment testing, goodwill and intangible assets with indefinite useful lives are allocated to the following cash-generating units (or groups of cash-generating units):

	Consolidated	
	2024	2023
	\$	\$
<i>Cash generating units</i>		
Mining	239,784	239,784

Note 16. Trade and other payables

	Consolidated	
	2024	2023
	\$	\$
<i>Current liabilities</i>		
Trade payables	10,336,501	10,730,298
Other payables and accruals	3,605,690	3,077,545
GST payable	748,261	1,119,885
	14,690,452	14,927,728

Refer to note 24 for further information on financial instruments.

Accounting policy for trade and other payables

Trade payables are unsecured and are usually paid within 30 - 60 days of recognition.

Note 17. Contract liabilities

	Consolidated	
	2024	2023
	\$	\$
<i>Current liabilities</i>		
Contract liabilities - income in advance	2,884,488	7,722,616

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Note 17. Contract liabilities (continued)

The decrease in contract liabilities was driven by changes in the Mining segment contract liabilities and is largely due to changes in the contract mix at the year end.

Unsatisfied performance obligations

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was \$2,884,488 as at 30 June 2024 (\$7,722,616 as at 30 June 2023) and is expected to be recognised as revenue in future periods as follows:

	Consolidated	
	2024	2023
	\$	\$
Within 6 months	2,884,488	7,722,616

Accounting policy for contract liabilities

Contract liabilities represent the revenue received in advance for goods or services which have not yet been performed and are recorded as a liability until such time that the performance obligation is performed under the contract.

Note 18. Borrowings

	Consolidated	
	2024	2023
	\$	\$
<i>Current liabilities</i>		
Secured:		
Bank loans* (a)	12,741,531	2,000,000
Equipment finance (a)	3,841,760	6,578,586
Unsecured:		
Loans from related parties (b)	-	210,256
	<u>16,583,291</u>	<u>8,788,842</u>
<i>Non-current liabilities</i>		
Secured:		
Equipment finance (a)	2,792,355	5,689,985
	<u>19,375,646</u>	<u>14,478,827</u>

* Secured bank loans of \$12,741,531 have been classified as current borrowings based on facility expiry dates. The Directors expect that \$3,382,550 of corporate markets loan in relation to property debt, to be renewed and subsequently repaid over longer than 12 months. The remaining \$9,358,981 relates to construction debt associated with the Malabar project and is ultimately repayable over 36 months as outlined below.

Refer to note 24 for further information on financial instruments.

(a) Bank loans

The Company and its subsidiaries (together the Obligor) are party to a master finance agreement with NAB (NAB Finance Agreement) for facilities with a total limit as at the facility date of \$39.8 million (NAB Facilities). The facilities under the NAB Finance Agreement include overdraft facilities, bank guarantee facilities, credit cards, master asset facility, equipment loans, hire purchase facilities and a corporate market loan of \$22.05 million to fund the acquisition and delivery of equipment under the Malabar Contract.

Note 18. Borrowings (continued)

The overdraft facilities can be cancelled, and NAB can reduce the overdraft facility amounts, at any time.

The \$22.05m corporate market loan for Malabar converts to term debt on completion of the overhaul of the equipment and is repayable over 36 months to nil. This term debt will attract market interest rates at the time of equipment completion.

The revolving lease and equipment loan drawn amounts are comprised of a number of asset related loans and are repayable over varying fixed terms on fixed monthly payments. Interest rates range between 2.5 – 7.5% based on the timing of the loan agreements.

Security

The Obligors have granted the following security for the NAB Facilities:

- first ranking general security agreements over all present and after-acquired property of each Group entity;
- first ranking registered mortgages over the properties situated at 15 Titanium Drive, Paget QLD 4740 and 152 Mitchell Avenue, Kurri Kurri NSW 2327; and
- a side deed between ADP Equipment Pty Ltd, Malabar Resources Limited and Maxwell Ventures (Management) Pty Ltd in respect of the Malabar Agreement.

Covenants

The NAB Facilities contain the following financial covenants:

- debt service cover ratio for the Group must not be less than 1.5:1;
- the operating leverage ratio for the Group must be:
 - until 30 June 2024 – 3.50:1;
 - 1 July 2024 to 1 December 2024 – 2.75:1; and
 - 1 January 2025 onwards – 2.00:1; and
- the capital adequacy ratio of the Group must not be less than 25%.

The Group has complied with the financial covenants of its borrowing facilities during the 2024 and 2023 reporting periods.

(b) Loans from related parties

The loans from related parties were unsecured and interest-free. The loans were repaid in the 2024 financial year.

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Note 18. Borrowings (continued)

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit (which excludes equipment loans that sit outside the master asset facility):

	Consolidated	
	2024	2023
	\$	\$
Total facilities		
Bank overdraft	3,400,000	3,600,000
Bank loan	25,432,550	2,000,000
Equipment finance	5,100,000	4,600,000
Supply chain finance facility	-	1,379,000
Bank guarantee facility	3,500,000	3,000,000
Loans from related parties	-	210,256
	<u>37,432,550</u>	<u>14,789,256</u>
Used at the reporting date		
Bank overdraft	-	-
Bank loan	12,741,531	2,000,000
Equipment finance	4,474,723	4,397,809
Supply chain finance facility	-	181,995
Bank guarantee facility	2,655,233	2,707,794
Loans from related parties	-	210,256
	<u>19,871,487</u>	<u>9,497,854</u>
Unused at the reporting date		
Bank overdraft	3,400,000	3,600,000
Bank loan	12,691,019	-
Equipment finance	625,277	202,191
Supply chain finance facility	-	1,197,005
Bank guarantee facility	844,767	292,206
Loans from related parties	-	-
	<u>17,561,063</u>	<u>5,291,402</u>

Accounting policy for borrowings

Borrowings are measured at amortised cost.

Note 19. Lease liabilities

	Consolidated	
	2024	2023
	\$	\$
<i>Current liabilities</i>		
Lease liability - land and buildings	<u>756,879</u>	<u>607,468</u>
<i>Non-current liabilities</i>		
Lease liability - land and buildings	<u>5,404,198</u>	<u>2,346,225</u>
	<u><u>6,161,077</u></u>	<u><u>2,953,693</u></u>

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Note 19. Lease liabilities (continued)

	Consolidated	
	2024	2023
	\$	\$
<i>Reconciliation of lease liabilities</i>		
Carrying amount at the beginning of the year	2,953,693	3,487,947
Additions	3,835,425	-
Interest expense	457,334	222,818
Lease payments	(1,085,375)	(757,072)
Net movement during the year	<u>3,207,384</u>	<u>(534,254)</u>
Carrying amount at the end of the year	<u><u>6,161,077</u></u>	<u><u>2,953,693</u></u>

Refer to note 24 for further information on financial instruments.

Accounting policy for lease liabilities

Lease liabilities are measured at the present value of the remaining lease payments. Interest expense on lease liabilities is recognised in profit or loss. Variable lease payments not included in the measurement of lease liabilities are recognised as an expense in the period in which they are incurred.

Note 20. Employee benefits

	Consolidated	
	2024	2023
	\$	\$
<i>Current liabilities</i>		
Annual leave	1,788,512	1,521,086
Long service leave	683,131	544,024
	<u>2,471,643</u>	<u>2,065,110</u>
<i>Non-current liabilities</i>		
Long service leave	<u>297,092</u>	<u>207,336</u>
	<u><u>2,768,735</u></u>	<u><u>2,272,446</u></u>

Accounting policy for employee benefits

Provisions for short-term employee benefits, including annual leave and long service leave that are expected to be settled wholly within twelve months after the end of the reporting period, are measured at the (undiscounted) amount of the benefit expected to be paid.

Provisions for other long-term employee benefits, including long service leave that are not expected to be settled wholly within twelve months after the end of the reporting period, are measured at the present value of the expected benefit to be paid in respect of the services provided by employees up to the reporting date.

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Note 21. Issued capital

	2024 Shares	2023 Shares	Consolidated 2024 \$	2023 \$
Ordinary shares - fully paid	286,588,003	2	54,622,759	396,972

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2022	2		396,972
Balance	30 June 2023	2		396,972
Acquisition of non-controlling interest in Camel Hire Company Pty Ltd	31 December 2023			170,000
Share split	31 January 2024	59,093,000	\$0.1875	11,079,938
Shares issued to acquire:				
- Alfabs Protective Coatings Pty Ltd	31 January 2024	1,695,133	\$0.1610	273,000
- Aflabs Administration Pty Ltd	31 January 2024	8,534,000	\$0.1875	1,600,000
- Alfabs Services Pty Ltd	31 January 2024	5,333,000	\$0.1875	1,000,000
- Alfabs Forklift & Access Pty Ltd	31 January 2024	1	\$1.0000	1
- Alfabs Engineering Group Pty Ltd	31 January 2024	2,880,000	\$0.1875	540,000
- Camel Hire Company Pty Ltd	31 January 2024	9,520,000	\$0.1875	1,785,000
- Alfabs Labour Hire Pty Ltd	31 January 2024	1,040,000	\$0.1875	195,000
- Properties at Kurri Kurri and Mackay	31 January 2024	61,904,867	\$0.1610	9,969,739
Equity reclassification on capital reorganisation	31 January 2024			(566,972)
Exchange of shares on issue for shares in Alfabs Australia Ltd	31 January 2024	(150,000,003)		
Shares issued to the previous shareholders of Alfabs Mining Equipment Pty Ltd	31 January 2024	150,000,003		
Shares issued to sophisticated investors	11 April 2024	64,000,000	\$0.1875	12,000,000
Initial Public Offering	24 June 2024	72,000,000	\$0.2500	18,000,000
Issue of shares to employees	24 June 2024	588,000	\$0.2500	147,000
Transaction costs arising on share issues, net of tax				(1,966,919)
Balance	30 June 2024	<u>286,588,003</u>		<u>54,622,759</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Initial Public Offering

On 26 June 2024, Alfabs Australia Limited (AAL) was admitted to the Official List of ASX Limited and official quotation of AAL's ordinary fully paid shares commenced on 28 June 2024. 72.0 million new shares were issued by the company at \$0.25 per share pursuant to the offer under the prospectus dated 4 June 2024. Transaction costs of \$2,809,885 and related deferred tax of \$842,966 were recognised directly in equity which represents the portion of transaction costs attributable to the issuance of new shares. Transaction costs of \$1,229,723 attributable to the listing were recognised in the consolidated statement of profit or loss and other comprehensive income in the current reporting period.

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Note 21. Issued capital (continued)

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Company's share price at the time of the investment.

The Group is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'trade and other payables' and 'borrowings' as shown in the statement of financial position) less 'cash and cash equivalents' as shown in the statement of financial position. Total capital is calculated as 'total equity' as shown in the statement of financial position (including non-controlling interest) plus net debt.

The gearing ratio at the reporting date was as follows:

	Consolidated	
	2024	2023
	\$	\$
Current liabilities - trade and other payables (note 16)	14,690,452	14,927,728
Current liabilities - borrowings (note 18)	16,583,291	8,788,842
Non-current liabilities - borrowings (note 18)	2,792,355	5,689,985
Total borrowings	34,066,098	29,406,555
Current assets - cash and cash equivalents (note 9)	(23,595,792)	(2,951,515)
Net debt	10,470,306	26,455,040
Total equity	56,744,040	25,496,000
Total capital	<u>67,214,346</u>	<u>51,951,040</u>
Gearing ratio	16%	51%

Note 22. Reserves

	Consolidated	
	2024	2023
	\$	\$
Share-based payments reserve	5,817	-
Capital reorganisation reserve	(13,523,580)	-
	<u>(13,517,763)</u>	<u>-</u>

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Note 22. Reserves (continued)

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and Directors as part of their remuneration, and other parties as part of their compensation for services.

Capital reorganisation reserve

Any difference between the share capital immediately prior to the capital reorganisation and the share capital immediately after the capital reorganisation, along with the difference in the consideration paid to acquire subsidiaries and the book value of the respective acquired assets and liabilities have been recognised in the *Capital reorganisation reserve*.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Capital reorganisation \$	Share-based payments \$	Total \$
Balance at 1 July 2022	-	-	-
Balance at 30 June 2023	-	-	-
Share-based payments	-	5,817	5,817
Capital reorganisation	(13,523,580)	-	(13,523,580)
Balance at 30 June 2024	<u>(13,523,580)</u>	<u>5,817</u>	<u>(13,517,763)</u>

Note 23. Dividends

Dividends

Dividends paid during the financial year were as follows:

	Consolidated	
	2024	2023
	\$	\$
Dividends paid to the shareholders of Alfabs Mining Equipment Pty Ltd	8,600,000	-
Dividends paid to the shareholders of Alfabs Protective Coatings Pty Ltd	260,000	-
Dividends paid to the shareholders of Alfabs Services Pty Ltd	530,000	-
Dividends paid to the shareholders of Alfabs Labour Hire Pty Ltd	300,000	-
	<u>9,690,000</u>	<u>-</u>

The above dividend payments occurred prior to the capital reorganisation transaction (refer note 2).

Franking credits

	Consolidated	
	2024	2023
	\$	\$
Franking credits available for subsequent financial years based on a tax rate of 30%	<u>5,937,053</u>	<u>7,571,389</u>

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

Note 24. Financial instruments

Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, and ageing analysis for credit risk.

Finance reports to the Board on a monthly basis.

Market risk

Interest rate risk

The Group's main interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the Group to interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk.

As at the reporting date, the Group had the following variable rate borrowings:

Consolidated	2024		2023	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
Bank loans	5.15%	12,741,531	7.37%	2,000,000
Net exposure to cash flow interest rate risk		<u>12,741,531</u>		<u>2,000,000</u>

An analysis by remaining contractual maturities is shown in 'liquidity and interest rate risk management' below.

Consolidated - 2024	Basis points increase Effect on			Basis points decrease Effect on		
	Basis points change	profit before tax	Effect on equity	Basis points change	profit before tax	Effect on equity
Bank overdraft, bank loan, and equipment finance	200	<u>(254,831)</u>	<u>(254,831)</u>	(200)	<u>254,831</u>	<u>254,831</u>

Consolidated - 2023	Basis points increase Effect on			Basis points decrease Effect on		
	Basis points change	profit before tax	Effect on equity	Basis points change	profit before tax	Effect on equity
Bank overdraft, bank loan, and equipment finance	200	<u>(40,000)</u>	<u>(40,000)</u>	(200)	<u>40,000</u>	<u>40,000</u>

The percentage change is based on the expected volatility of interest rates using market data and analysts forecasts.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The Group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

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Note 24. Financial instruments (continued)

The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available.

Management closely monitors the receivable balances on a monthly basis and is in regular contact with customers to mitigate risk.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Liquidity risk

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2024	1 year or less \$	Between 1 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Non-derivatives				
<i>Non-interest bearing</i>				
Trade and other payables	14,690,452	-	-	14,690,452
<i>Interest-bearing</i>				
Bank loans	13,178,942	-	-	13,178,942
Equipment finance	4,092,978	2,927,330	-	7,020,308
Lease liability	1,165,400	3,668,683	3,250,650	8,084,733
Total non-derivatives	33,127,772	6,596,013	3,250,650	42,974,435

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Note 24. Financial instruments (continued)

Consolidated - 2023	1 year or less \$	Between 1 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Non-derivatives				
<i>Non-interest bearing</i>				
Trade and other payables	14,927,728	-	-	14,927,728
<i>Interest-bearing</i>				
Bank loans	2,391,941	-	-	2,391,941
Equipment finance	7,109,178	7,166,877	2,053	14,278,108
Loans from related parties	210,256	-	-	210,256
Lease liability	757,072	2,852,947	-	3,610,019
Total non-derivatives	<u>25,396,175</u>	<u>10,019,824</u>	<u>2,053</u>	<u>35,418,052</u>

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 25. Key management personnel disclosures

Compensation

The aggregate compensation made to Directors and other members of key management personnel of the Group is set out below:

	Consolidated	
	2024	2023
	\$	\$
Short-term employee benefits	1,246,607	441,668
Post-employment benefits	73,813	40,775
Long-term benefits	123,489	14,174
Share-based payments	2,957	-
	<u>1,446,866</u>	<u>496,617</u>

The remuneration disclosed includes amounts paid prior to the incorporation of Alfabs Australia Limited on 24 January 2024.

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Note 26. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Pitcher Partners NH Partnership, the auditor of the Company, and its network firms:

	Consolidated	
	2024	2023
	\$	\$
<i>Audit services - Pitcher Partners NH Partnership</i>		
Audit or review of the financial statements	140,000	174,890
<i>Other services - Pitcher Partners NH Partnership</i>		
Agreed upon procedures to support borrowing obligations	6,500	-
	<u>146,500</u>	<u>174,890</u>
<i>Other services - Pitcher Partners network firm</i>		
Non assurance services in relation to ASX listing	40,000	-

Note 27. Commitments

	Consolidated	
	2024	2023
	\$	\$
<i>Capital commitments</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Property, plant and equipment	4,918,137	-

Note 28. Related party transactions

Parent entity

Alfabs Australia Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 30.

Key management personnel

Disclosures relating to key management personnel are set out in note 25 and the remuneration report included in the Directors' report.

Alfabs Australia Limited
Notes to the consolidated financial statements
30 June 2024

Note 28. Related party transactions (continued)

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2024	2023
	\$	\$
Sale of goods and services:		
Sale of goods and services to key management personnel	-	41,438
Sale of goods and services to other related parties controlled by key management personnel	1,591,571	560,681
Other income:		
Interest received - 3T Property Holdings Pty Ltd	93,150	124,756
Interest received - Torrance Family Trust	59,017	65,836
Interest received - Matthew Torrance	3,679	-
Interest received - Mineway Pty Ltd	6,180	315
Interest received - My Three Sons Trust	-	7,127
	-	-
Payment for goods and services:		
Rent paid to key management personnel*	92,825	93,660
Rent paid to other related party - Mineway Trust*	120,000	120,000
Rent paid to other related party - Torrance Family Trust*	441,317	689,138
Rent paid to other related party - Alfabs Superannuation Fund*	735,000	450,000
Other transactions:		
Acquisition of land and buildings from entity controlled by key management personnel	20,900,000	-
Dividends paid to related parties pre capital reorganisation	9,690,000	-
Acquisition of plant and equipment from key management personnel	150,000	-
Acquisition of plant and equipment from entity controlled by key management personnel	20,000	-
Sale of motor vehicles to key management personnel (selling price)	85,000	-

* The leased properties are recognised as right-of-use assets in accordance with AASB 16, resulting in the capitalisation of lease assets and corresponding liabilities. The lease payments made during the year reduced the lease liability on the statement of financial position. These payments are not recognised as an expense in the statement of profit or loss.

Note 28. Related party transactions (continued)

Related party transactions:

- The Group sold various goods and services to entities controlled by Paul Torrance, primarily in connection with the construction of a shed at 152 Mitchell Avenue, Kurri Kurri prior to the acquisition of that property by the Group. These goods and services were supplied at market rates and payment was received by the Group by way of offset to the loan owing from Alfabs Mining Equipment Pty Ltd (as borrower) to Torrance Family Trust (as lender). The transactions were otherwise on normal terms and conditions.
- The Group leased premises from Mineway Pty Ltd as trustee for Mineway Trust, a discretionary trust of which Paul Torrance and Michele Torrance are the primary beneficiaries and Matthew Torrance (Managing Director and Chief Executive Officer of the Group) is in the class of eligible beneficiaries. The rental charged during the year of \$120,000 (2023: \$120,000) was based on market rates.
- The Group leased premises from Lomrew Nominees Pty Ltd as trustee for the Lomrew Unit Trust. The unitholders of the trust are: MWH Nominees No 2 Pty Ltd as trustee for MWH No 2 Trust, an entity controlled by Mark Harrison (Finance Director of the consolidated entity) - 50%; and JAM Management No 2 Pty Ltd as trustee for JAM No 2 Trust, a discretionary trust of which Paul Torrance and Michele Torrance are the primary beneficiaries and Matthew Torrance (Managing Director and Chief Executive Officer of the Group) is in the class of eligible beneficiaries – 50%. The rental charged during the year of \$45,900 (2023: \$42,000) was based on market rates.
- The Group leased premises from Shelpaul Investments Pty Ltd as trustee for the Torrance Unit Trust. The unitholders of the trust are: Tonol Pty Limited as trustee for Alfabs Superannuation Fund. Paul Torrance and Michele Torrance are members of the Alfabs Superannuation Fund. The rental charged during the year of \$520,000 (2023: \$300,000) was based on market rates.
- The Group leased premises from Tonol Pty Limited as trustee for Alfabs Superannuation Fund of which Paul Torrance and Michele Torrance are members. The rental charged during the year of \$215,000 (2023: \$150,000) was based on market rates.
- The Group leased premises from Torrance Investments Pty Ltd as trustee for Torrance Family Trust of which Paul Torrance, Michele Torrance and related individuals and entities are beneficiaries. The rental charged during the year of \$441,317 (2023: \$689,138) was based on market rates
- Dura Group Holdings Pty Ltd and its subsidiary Dura Sales (Aust) Pty Ltd (Dura Sales) are related entities of Paul Torrance. Dura Sales subleases part of the property at 585 Varty Street, Weston NSW 2326 from Alfabs Mining Equipment for \$1,000 per month plus GST. The total rental received was \$6,000 (2023: \$nil).
- On 31 January 2024, the Group acquired 152 Mitchell Avenue, Kurri Kurri NSW 2327 and 15 Titanium Drive, Paget Qld 4740, at market value, from the Torrance Family Trust in exchange for shares. The total value of the transaction was \$20,900,000.
- Paul Torrance acquired a Toyota Landcruiser motor vehicle from The Group for market value of \$85,000.
- The Group purchased an abrasive blast chamber from Paul and Michele Torrance for market value of \$150,000.
- The Group purchased 4 driftrunner shells with compliance plates for \$22,000 (exclusive of GST) (plus freight and cranage) from Mulloway Ink Pty Ltd, an entity controlled by the Torrance family.

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	2024	2023
	\$	\$
Current receivables:		
Trade receivables from other related parties	21,210	465,153
Current payables:		
Trade payables to key management personnel	495	-

Alfabs Australia Limited
Notes to the consolidated financial statements
30 June 2024

Note 28. Related party transactions (continued)

Loans to/from related parties

	Consolidated	
	2024	2023
	\$	\$
Loans receivable (note 10)*		
Opening balance	4,915,110	4,889,607
Interest accrued	162,026	198,034
Advanced	162,779	324,504
Repaid	(329,915)	(497,035)
Transferred to dividends payable	(4,910,000)	-
Closing balance	<u>-</u>	<u>4,915,110</u>
Loans payable (note 18)**		
Opening balance	210,256	170,082
Advanced	20,000	40,174
Repaid	(10,256)	-
Transferred to dividends payable	(220,000)	-
Closing balance	<u>-</u>	<u>210,256</u>

Included in trade and other receivables at 30 June 2023 were loans to 2 Directors amounting to \$80,190. The loans were unsecured and repayable on demand. Interest was payable on the loans at the rate of 8.27% per annum and the total interest paid was \$3,679 (2023: \$nil). Interest was not applied to company-to-company loans that did not fall under the Division 7A provisions. The loans were repaid during the 2024 financial year. No write-downs or allowances for doubtful receivables have been recognised in relation to these loans.

* Interest received from Torrance Family Trust was also payable at the rate of 8.27% per annum.

** Interest received from 3T Property Holdings Pty Ltd was payable at a weighted average interest rate of 7.76% per annum.

	2024	2023
	\$	\$
Lease payable		
Closing balance	5,617,472	2,230,627

Note 29. Parent entity information

Set out below is the supplementary information about the legal parent entity (Alfabs Australia Limited).

Statement of profit or loss and other comprehensive income

	Parent
	2024
	\$
Loss after income tax	<u>(1,274,134)</u>
Other comprehensive income for the year, net of tax	<u>-</u>
Total comprehensive income	<u>(1,274,134)</u>

Alfabs Australia Limited
Notes to the consolidated financial statements
30 June 2024

Note 29. Parent entity information (continued)

Statement of financial position

	Parent 2024 \$
Total current assets	<u>18,145,167</u>
Total non-current assets	<u>41,684,064</u>
Total assets	<u>59,829,231</u>
Total current liabilities	<u>6,474,789</u>
Total non-current liabilities	<u>-</u>
Total liabilities	<u>6,474,789</u>
Net assets	<u><u>53,354,442</u></u>
Equity	
Issued capital	54,622,759
Share-based payments reserve	5,817
Accumulated losses	<u>(1,274,134)</u>
Total equity	<u><u>53,354,442</u></u>

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity is a cross-guarantor in relation to the debts of its subsidiaries as at 30 June 2024.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2024.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2024.

Material accounting policy information

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Alfabs Australia Limited
Notes to the consolidated financial statements
30 June 2024

Note 30. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2024 %	2023*** %
Alfabs Mining Equipment Pty Ltd	Australia	100%	100%
AME Group Holdings Pty Ltd	Australia	100%	100%
ADP Equipment Pty Ltd	Australia	100%	100%
Alfabs Hire Pty Ltd	Australia	100%	100%
Alfabs Logistics Pty Ltd	Australia	100%	100%
ADP Stores Pty Ltd	Australia	100%	100%
Alfabs Engineering Group Pty Ltd	Australia	100%	100%
Alfabs Services Pty Ltd	Australia	100%	100%
Alfabs Protective Coatings Pty Ltd	Australia	100%	100%
Alfabs Forklift and Access Pty Ltd	Australia	100%	100%
Camel Hire Company Pty Ltd**	Australia	100%	70%
Alfabs Administration Pty Ltd	Australia	100%	100%
Alfabs Labour Hire Pty Ltd	Australia	100%	100%
Alfabs Property Pty Ltd*	Australia	100%	-

* Alfabs Property Pty Ltd was Incorporated on 19 March 2024.

** On 31 December 2023, the Group acquired the remaining 30% of the issued share in Camel Hire Company Pty Ltd for a total consideration of \$765,000. The favourable difference between the consideration paid of \$765,000 and the amount transferred from non-controlling interests of \$1,118,445 has been recognised directly in equity.

*** Alfabs Australia Limited was incorporated on 24 January 2024 and on 31 January 2024 a capital reorganisation of the above named entities was undertaken. For the periods preceding this, the Group has been treated in the same manner as if legal ownership had already been in place.

Unless otherwise stated, the subsidiaries have share capital consisting solely of ordinary shares that are held directly by the consolidated entity, and the proportion of ownership interests held equals the voting rights held by the consolidated entity.

Note 31. Events after the reporting period

No matter or circumstance has arisen since 30 June 2024 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Alfabs Australia Limited
Notes to the consolidated financial statements
30 June 2024

Note 32. Cash flow information

Reconciliation of profit after income tax to net cash from operating activities

	Consolidated	
	2024	2023
	\$	\$
Profit after income tax expense for the year	3,664,404	4,816,613
Adjustments for:		
Depreciation and amortisation	7,736,679	6,456,440
Reversal of impairment	(300,000)	-
Share-based payments	152,817	-
Net loss/(gain) on disposal of non-current assets	(129,738)	451,454
Provision for expected credit losses	-	16,476
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	1,969,614	(2,253,219)
Decrease in contract assets	1,289,625	618,013
Decrease/(increase) in inventories	5,358,755	(2,710,382)
Decrease in deferred tax assets	262,647	-
Decrease in other operating assets	-	212,193
Increase/(decrease) in trade and other payables	(1,514,191)	524,696
Increase/(decrease) in contract liabilities	(4,838,128)	2,950,745
Increase in provision for income tax	2,605,034	1,714,156
Increase in deferred tax liabilities	583,663	401,008
Increase in employee benefits	496,289	113,474
Net cash from operating activities	<u>17,337,470</u>	<u>13,311,667</u>

	Consolidated	
	2024	2023
	\$	\$
Shares issued to acquire properties	9,969,739	-
Related loans receivable offset against dividends payable	4,910,000	-
Related party loans payable transferred to dividends payable	220,000	-

Alfabs Australia Limited
Notes to the consolidated financial statements
30 June 2024

Note 32. Cash flow information (continued)

Changes in liabilities arising from financing activities

Consolidated	Leases \$	Bank loan \$	Equipment finance \$	Related party loans \$	Total \$
Balance at 1 July 2022	3,487,947	2,000,000	14,387,355	170,082	20,045,384
Net cash from/(used in) financing activities	(534,254)	-	(2,118,784)	40,174	(2,612,864)
Balance at 30 June 2023	2,953,693	2,000,000	12,268,571	210,256	17,432,520
Net cash from/(used in) financing activities	(628,041)	7,183,981	(5,634,456)	9,744	931,228
Loan attaching to purchase of property	-	3,557,550	-	-	3,557,550
Acquisition of plant and equipment by means of leases	3,835,425	-	-	-	3,835,425
Transfer to dividends payable	-	-	-	(220,000)	(220,000)
Balance at 30 June 2024	<u>6,161,077</u>	<u>12,741,531</u>	<u>6,634,115</u>	<u>-</u>	<u>25,536,723</u>

The total cash outflow for leases (inclusive of interest) in 2024 was \$1,085,375 (2023 – \$757,070).

Note 33. Earnings per share

	Consolidated	
	2024	2023
	\$	\$
Profit after income tax	3,664,404	4,816,613
Non-controlling interest	(110,861)	(340,190)
Profit after income tax attributable to the owners of Alfabs Australia Limited	<u>3,553,543</u>	<u>4,476,423</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>165,553,232</u>	<u>150,000,003</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>165,553,232</u>	<u>150,000,003</u>
	Cents	Cents
Basic earnings per share	2.15	2.98
Diluted earnings per share	2.15	2.98

Share options are considered to be potential ordinary shares but were not 'in the money' for the 30 June 2024 financial year and were not included in the calculation of diluted earnings per share. These options could potentially dilute basic earnings per share in the future.

Alfabs Australia Limited
Notes to the consolidated financial statements
30 June 2024

Note 34. Share-based payments

(a) Employee Share Option Plan (ESOP)

The Company has implemented an employee share option plan (ESOP) to assist in attracting, motivating and retaining management and employees. The aggregate pool of interests under the ESOP is limited to an interest in 11,000,000 shares. A total of 6,000,000 options were granted to the Managing Director and Finance Director and 5,000,000 options were granted to other senior employees pursuant to the ESOP. The options have an exercise price of 30 cents. The options granted to the Managing Director and Finance Director are only subject to time-based service conditions and the options granted to senior employees will vest if any conditions as determined by the Directors have been satisfied. The total fair value of the options granted was \$385,000.

(b) Other options

In relation to its IPO and listing on the Australian Securities Exchange, the Company granted 7,000,000 Advisor Options to the joint lead managers, the financial advisor, and the legal advisor. The Advisor Options are only subject to time-based service conditions and have an exercise price of 30 cents. The total fair value of the options granted was \$245,000.

As part of the arrangements leading up to the IPO of Alfabs Australia Limited, the Non-Executive Directors received an award of 6,000,000 unlisted options. The options have an exercise price of 30 cents and are only subject to time-based service conditions. The total fair value of the options granted was \$210,000.

Set out below are summaries of options granted:

2024

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/forfeited/other	Balance at the end of the year
20/06/2024	20/05/2028	\$0.3000	-	11,000,000	-	-	11,000,000
24/06/2024	24/05/2028	\$0.3000	-	13,000,000	-	-	13,000,000
			-	24,000,000	-	-	24,000,000
Weighted average exercise price			\$0.0000	\$0.3000	\$0.0000	\$0.0000	\$0.3000

No options were exercisable at 30 June 2024.

The weighted average remaining contractual life of options outstanding at the end of the financial year was 3.9 years.

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
20/06/2024	20/05/2028	\$0.2500	\$0.3000	33.10%	4.00%	4.04%	\$0.035
24/06/2024	24/05/2028	\$0.2500	\$0.3000	33.10%	4.00%	4.04%	\$0.035

Accounting policy for share-based payments

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions. As the Group did not have sufficient ASX trading history, the expected volatility has been determined reviewing the volatility rates used by Companies within the same industry, with an average of the outcome of this review used.

Note 34. Share-based payments (continued)

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Alfabs Australia Limited
Consolidated entity disclosure statement
As at 30 June 2024

Alfabs Australia Limited is required by Australian Accounting Standards to prepare consolidated financial statements in relation to the company and its controlled entities (the consolidated entity).

In accordance with subsection 295(3A) of the *Corporations Act 2001*, this consolidated entity disclosure statement provides information about each entity that was part of the consolidated entity at the end of the financial year.

Entity name	Entity type	Place formed / Country of incorporation	Ownership interest %	Tax residency
Alfabs Australia Ltd	Body Corporate	Australia		Australia
Alfabs Mining Equipment Pty Ltd	Body Corporate	Australia	100%	Australia
AME Group Holdings Pty Ltd	Body Corporate	Australia	100%	Australia
ADP Equipment Pty Ltd	Body Corporate	Australia	100%	Australia
Alfabs Hire Pty Ltd	Body Corporate	Australia	100%	Australia
Alfabs Logistics Pty Ltd	Body Corporate	Australia	100%	Australia
ADP Stores Pty Ltd	Body Corporate	Australia	100%	Australia
Alfabs Engineering Group Pty Ltd	Body Corporate	Australia	100%	Australia
Alfabs Services Pty Ltd	Body Corporate	Australia	100%	Australia
Alfabs Protective Coatings Pty Ltd	Body Corporate	Australia	100%	Australia
Alfabs Forklift and Access Pty Ltd	Body Corporate	Australia	100%	Australia
Camel Hire Company Pty Ltd	Body Corporate	Australia	100%	Australia
Alfabs Administration Pty Ltd	Body Corporate	Australia	100%	Australia
Alfabs Labour Hire Pty Ltd	Body Corporate	Australia	100%	Australia
Alfabs Property Pty Ltd	Body Corporate	Australia	100%	Australia

At the end of the financial year, no other entity within the consolidated entity was a trustee of a trust within the consolidated entity, a partner in a partnership within the consolidated entity, or a participant in a joint venture within the consolidated entity.

Alfabs Australia Limited
Directors' declaration
30 June 2024

In the Directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2024 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- the information disclosed in the attached consolidated entity disclosure statement is true and correct.

The Directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the Directors



William Wavish
Chair



Matthew Torrance
Managing Director and Chief Executive Officer

26 August 2024
Kurri Kurri

Independent auditor's report

on the Audit of the Financial Report to the members of Alfabs Australia Limited ACN 674 455 442

Opinion

We have audited the financial report of Alfabs Australia Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2024, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements including material accounting policy information, the consolidated entity disclosure statement and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2024 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the key audit matter
Revenue recognition and other related balances Refer to note 5 – Revenue – rendering of services \$67,885,401 note 11 – Contract assets \$624,291, Note 17 - Contract liabilities \$2,884,488	

This was a key audit matter because of its significance to profit and the high level of estimation and judgement required in assessing the timing of recognising revenue on maintenance services and projects contracts which have a variety of terms and conditions depending on the specific customer and contract. As a result the Group satisfies the performance obligations both at a point in time and overtime.

Revenue recognition in relation to the delivery of maintenance services and projects is complex for open contracts where revenue is recognised over time because it is based on the Group's estimates of:

- the stage of completion of the contract activity
- total forecast contract costs, and
- variable consideration

Additionally, due to contractual terms and certain customers requiring payment claims to be submitted and approved prior to invoices being issued there is judgement involved to determine if accrued revenue will be recoverable.

Our procedures included:

- Obtaining an understanding of and evaluating the design and implementation of controls surrounding revenue recognition and project costing.
- Testing the classification of maintenance services and project contracts between revenue over time or at a point in time
- Selecting a sample of open contracts for maintenance services and projects recognised over time and:
 - obtaining an understanding of the terms and conditions of these contracts;
 - obtaining an understanding of the estimates of total contract revenue and forecast contract costs and evaluating the percentage of completion based on the actual costs incurred to date and the estimated costs to complete; and
 - evaluating the margin recognised on the contract to date against management's latest assessment of the expected contract margin and also the original quoted margin.
- Testing the operating effectiveness of controls over the occurrence and allocation of both labour and materials to project costs to assess the accuracy of project margins.

Key Audit Matter

Capital reorganisation of Alfabs business
Refer to note 2

How our audit addressed the key audit matter

This was a key audit matter because of the judgement involved and the potential to significantly impact the determination of which entities, and for what period they are included in the Group.

As outlined in Note 2 the financial statements comprise Alfabs Australia Limited and its subsidiaries for the period 1 February 2024 to 30 June 2024 and the combination of Alfabs Mining Equipment Pty Limited and other related entities for the period 1 July 2023 to 31 January 2024.

As a result, judgements were required in relation to:

- whether the financial statements should include the combination of Alfabs Mining Equipment Pty Limited and other related entities for the period prior to 31 January 2024; and
- the method of accounting to be adopted in relation to the capital reorganisation.

Our procedures included:

- Obtaining an understanding of and evaluating the design and implementation of controls surrounding the restructure.
- Reading and evaluating management papers relating to the capital reorganisation transaction along with advice obtained by the Group from external advisors.
- Assessing the application of AASB3 'Business Combinations' and the generally accepted accounting practices relating to accounting for common control transactions.
- Reviewing the minutes of Board meetings to confirm the involvement of the Board in the capital reorganisation process.
- Assessing the disclosures regarding the basis of preparation of the financial statements and the accounting policies adopted in relation to the capital reorganisation.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's directors' report for the year ended 30 June 2024 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of:

- a) the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*; and
- b) the consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001*; and

for such internal control as the directors determine is necessary to enable the preparation of:

- (i) the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- (ii) the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 12 of the directors' report for the year ended 30 June 2024. In our opinion, the Remuneration Report of Alfabs Australia Limited, for the year ended 30 June 2024, complies with section 300A of the *Corporations Act 2001*.

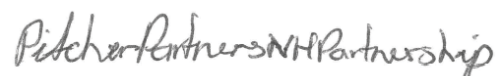
Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



SHAUN MAHONY
Partner

26 August 2024



Pitcher Partners NH Partnership
Newcastle

Alfabs Australia Limited
Shareholder information
30 June 2024

The shareholder information set out below was applicable as at 20 August 2024.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Ordinary shares		Options over ordinary shares	
	Number of holders	% of total shares issued	Number of holders	% of total shares issued
1 to 1,000	12	-	-	-
1,001 to 5,000	172	0.2	-	-
5,001 to 10,000	128	0.4	-	-
10,001 to 100,000	216	3.2	-	-
100,001 and over	135	96.2	15	100.0
	663	100.0	15	100.0
Holding less than a marketable parcel	16	-	-	-

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
Paul Torrance	140,026,003	48.9
Salter Brothers Emerging Companies Limited	25,243,038	8.8
HSBC Custody Nominees (Australia) Limited	18,135,466	6.3
Mr Matthew Torrance	4,267,000	1.5
Mr Andrew Torrance	4,267,000	1.5
Yvonne Wavish	4,266,667	1.5
Timster Pty Limited - The Mcred Super Fund A/C	3,999,999	1.4
Bill Wavish	3,733,333	1.3
J P Morgan Nominees Australia Pty Limited	3,325,000	1.2
Richvale Pty Ltd	3,133,333	1.1
Sovori Pty Ltd - The Sovori A/C	2,666,666	0.9
Mr Murray Edward Bleach & Mrs Norma Leigh Edwards - The Bleach Super A/C	2,666,666	0.9
Rathvale Pty Limited	2,616,666	0.9
Gailforce Marketing & Pr Pty Limited - Hale Agency Super Fund A/C	2,099,999	0.7
Acron Holdings Pty Ltd - Acron Superannuation Fund	2,000,000	0.7
Mrs Michele Torrance	1,440,000	0.5
MWH Nominees No 1 Pty Ltd	1,350,000	0.5
Vardon Investments Pty Ltd - Vardon Investments Unit A/C	1,334,000	0.5
Timster Pty Limited - The Mcred Super Fund A/C	1,333,334	0.5
A Dillon - Aoraki Superannuation Fund	1,333,333	0.5
	229,237,503	80.1

Alfabs Australia Limited
Shareholder information
30 June 2024

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	24,000,000	15

No persons hold 20% or more of unquoted equity securities.

Substantial holders

Substantial holders in the Company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
Paul Torrance	140,026,003	48.9
Salter Brothers Emerging Companies Limited	25,243,038	8.8
HSBC Custody Nominees (Australia) Limited	18,135,466	6.3

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.