

Preliminary Final Report



NAME OF ENTITY

WESTSTAR INDUSTRIAL LIMITED	
ABN or equivalent company reference:	38 119 047 693

1. REPORTING PERIOD

Preliminary report for the financial year ended	30 June 2024
Previous corresponding period is the financial year ended	30 June 2023

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

				\$'000
Revenues from ordinary activities (item 2.1)	down	32.4%	to	205,599
Profit from ordinary activities after tax attributable to members (item 2.2)	up	87.3%	to	3,294
Net profit for the period attributable to members (item 2.3)	up	87.3%	to	3,294

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

3. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Refer to attached unaudited Preliminary Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2024.

4. STATEMENT OF FINANCIAL POSITION

Refer to attached unaudited Preliminary Consolidated Statement of Financial Position as at 30 June 2024.

5. STATEMENT OF CASH FLOWS

Refer to attached unaudited Preliminary Consolidated Statement of Cash flows for the year ended 30 June 2024.

6. STATEMENT OF CHANGES IN EQUITY

Refer to attached unaudited Preliminary Consolidated Statement of Changes in Equity for the year ended 30 June 2024.

7. DIVIDENDS

	Date of payment	Total amount of dividend
Interim dividend – year ended 30 June 2024	N/A	N/A
Final dividend – year ended 30 June 2024	N/A	N/A

Amount per security

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

Total dividend on all securities

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

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

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

9. NET TANGIBLE ASSETS PER SECURITY

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	\$0.186	\$0.181

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

Control gained over entities

Name of entities (<i>item 10.1</i>)	Watmar Engineering Pty Ltd
Date(s) of gain of control (<i>item 10.2</i>)	3 November 2023
Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period (<i>item 10.3</i>)	(\$440,205)

Loss of control of entities

Name of entities (<i>item 10.4</i>)	N/A
Date(s) of loss of control (<i>item 10.5</i>)	N/A
Contribution to consolidated profit (loss) from ordinary activities after tax by the controlled entities to the date(s) in the current period when control was lost (<i>item 10.6</i>).	N/A
Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period (<i>item 10.7</i>)	N/A

11. DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

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

% Securities held (*item 11.2*)

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

Group's share of associates' and joint venture entities':	2024 \$	2023 \$
Profit (loss) from ordinary activities before tax	N/A	N/A
Income tax on ordinary activities	N/A	N/A
Net profit (loss) from ordinary activities after tax	N/A	N/A
Adjustments		
Share of net profit (loss) of associates and JV entities	N/A	N/A

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

OVERVIEW

WestStar Industrial Limited (Company or WestStar) (ASX: WSI), an Australian industrial services company, operating in the energy, resources, utility and infrastructure sectors, in metropolitan and remote areas, across Australia, is pleased to report on the Company's FY24 Preliminary Final Report.

RESULTS OF OPERATIONS

Revenue for the Group was \$205,599,451 for the year ending 30 June 2024 compared to the previous FY23 revenue of \$304,275,242. This decrease is predominantly due to the completion of the Iron Bridge Wet Plant Project in early FY2024.

The Group posted an after-tax profit attributed to members of \$3,468,761 for the year ending 30 June 2024 (30 June 2023: \$1,758,966). Several non-cash expenses are recorded in the Company's accounts.

	Year ended 30 June 2024 \$
EBITDA	8,236,458
Depreciation & Amortisation	(2,453,633)
EBIT	5,782,825
Share based payment expense	(1,099,853)
Interest costs	(672,797)
Bargain purchase on Acquisition of subsidiary	582,655
NPBT	4,592,830
Income tax expense	(1,299,069)
NPAT	3,293,761

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

REVIEW OF OPERATIONS

FULL YEAR FINANCIAL HIGHLIGHTS

- Full Year Earnings (EBITDA) of \$8,236,458
- Net Profit After Tax (NPAT) of \$3,293,761
- Revenue of \$205,599,451
- FY24 Alltype Engineering revenue \$91,948,615
- FY24 SIMPEC revenue \$110,645,572
- Completion of strategic acquisition of Watmar Engineering Pty Ltd ('WATMAR')
- FY24 WATMAR revenue \$3.0M (eight months contribution amid initial challenges of integration into the Group)
- Cash Holdings of \$13.7M
- Cash Backed Bonds of \$2.9M
- Continued to build Pipeline of Opportunities, Secure Awards and Project Upgrades
- Projects continue to deliver profitability in a highly competitive market
- Debt NIL

FINANCIAL PERFORMANCE

Having consistently maintained a strong order book of contracted revenue; the Company has once again delivered another full year profit.

WestStar Industrial achieved Group Revenue of \$205.6M compared to \$304.3M in FY23. The reduction in revenue was primarily due to the reduced revenue stream through SIMPEC after having achieved Practical Completion on the Iron Bridge Wet Plant Project, being the largest project completed in the Group's history.

Pleasingly, an increase in gross margins delivered solid earnings to turnaround the FY23. This strong turnaround is testament to the commitment shown by all teams to achieve greater reward for effort, despite cost pressures and labour shortages heavily affecting the industry. The Group was able to continue delivery of revenue safely, on time and also profitably.

Whilst achieving this, the Group also managed to secure and transact on its new subsidiary Watmar Engineering from existing cash reserves, all whilst still maintaining a Nil Debt position.

REVENUE

WestStar Industrial recorded revenue for the full year of \$205.6M, a decrease of 32.4% on the previous corresponding period.

Alltype Engineering achieved full year revenue of \$91.9M, up marginally by 0.2% on the prior corresponding period (FY23 \$91.7M) with the Lynas Rare Earths project nearing completion and the Kurri Kurri Facilities project advanced.

SIMPEC achieved full year revenue of \$110.6M, down 48.0% on the prior corresponding period (FY23 \$212.5M).

The Group has managed to deliver the revenue in line with the Group's strategic growth plans. This was evident in the award and conversion of significant works across both Alltype Engineering and SIMPEC which continue to be delivered successfully.

The successful integration of WATMAR contributed eight months' revenue to the Group's performance, having delivered \$3.0M.

With a strong pipeline of new projects across the Group across a diverse range of industry sectors, the introduction of WATMAR has fast tracked WestStar Industrial into the Defence sector, which has a high barrier to entry and significant future capital and ongoing operational spend commitments that are not cyclical in nature.

EARNINGS

Earnings before interest, tax, depreciation and amortization (EBITDA) for the year ended 30 June 2024 was \$8.2M an increase of 36.7% on the prior year (FY23 \$6.0M), delivering an EBITDA margin percentage of 4.0%, an increase on the prior year (FY23 2.0%).

Net profit after tax was \$3.3M, up 87% on the previous financial year (FY23 \$1.76M).

The Company continues to focus on delivery of its projects with a defined objective to continually improve commercial outcomes through cost control and margin focus, which has been demonstrated by the increased gross margins now being achieved.

BALANCE SHEET

The Company continues to strengthen its balance sheet with total equity of \$30.0M increasing by 17.2% on the prior comparative year (FY23 \$25.6M). The Group held cash of \$13.7M and had a working capital surplus of \$16.4M as at 30 June 2024. Strengthening of the balance sheet enables the Group to demonstrate and deliver the financial capacity appropriate for its growth targets, current commitments and potential opportunities. With nil long-term debt the Group continues to effectively use its balance sheet to manage new projects, growth and explore strategic and earnings accretive acquisitions.

OPERATIONS



SIMPEC has achieved several milestones this year, notably completing the Iron Bridge Wet Plant, its largest project to date. The company also finalised its scope at the Cockburn Cement facility in Kwinana and expanded into new sectors and clients, delivering a segmented revenue of \$110.6M with an EBITDA of \$5.97M.

SIMPEC expanded its national footprint with a new office in Sydney, securing projects across New South Wales, Northern Territory, Queensland and Victoria.

Health, Safety, and Environment (HSE) Performance

SIMPEC maintained an excellent safety record, achieving no lost time injuries for seven consecutive years. Its Total Recordable Injury Frequency Rate (TRIFR) remains well below industry benchmarks, reflecting the company's commitment to employee well-being.

In a competitive labour market, SIMPEC recognises that its success depends on maintaining a highly skilled workforce. The company is dedicated to improving employee engagement and fostering a culture aligned with its values.

Efforts to make SIMPEC an employer of choice go beyond competitive remuneration. The company is focused on continuous development, employee interaction improvements, and the implementation of systems that enhance workplace efficiency and overall employee satisfaction.

Some of the year's key operational highlights include:

- Iron Bridge Wet Plant Project: SIMPEC achieved practical completion, maintaining its strong safety commitment and delivering the plant segment to a high standard.
- Tianqi TLK Minor Works: As a longstanding partner, SIMPEC continued to perform various SMP works for Tianqi throughout the year, demonstrating excellent project execution.
- Acciona Kwinana Avertas Energy Project: SIMPEC provided professional and trade personnel for ongoing construction and commissioning work at the waste energy project.
- Sydney Infrastructure Projects: Aligned with its strategy to grow on the East Coast, SIMPEC successfully completed finishing works for the Sydney Metro City & Southwest Line-Wide Works Project and continues the Hitachi (Thales) GTSA Metronet project.
- Cockburn Cement Facility: SIMPEC completed its work at the Kwinana-based facility, leveraging its skilled local workforce to further its presence in the region.
- East Coast Projects: The team has undertaken various new construction and maintenance projects in Newcastle and Victoria, contributing to a steady stream of business opportunities.
- Territory Generation Katherine Tank Repairs: This project was completed safely, on time, and within budget, marking SIMPEC's second project in the Northern Territory and solidifying a promising client relationship.

The company has received numerous expressions of interest and new tender opportunities, not only from existing clients but also from new clients across all states and territories of Australia.

In alignment with the Business Strategy plan, these new opportunities are enabling the company to expand into emerging sectors, thereby opening avenues for additional projects and growth.

By nurturing a culture of safety, innovation, and collaboration, SIMPEC is well-positioned to lead in the evolving green energy market and continue expanding its footprint across Australia.



Alltype Engineering has steadied in revenue growth in FY24, with a segmented revenue of \$91.9M, slightly more than FY23 (\$91.7M) and delivering an EBITDA of \$4.86M.

In July 2023, Alltype Engineering was awarded the Kurri Kurri Storage Station, an offtake and compression facility to power a new gas fired peak power generation station in the Hunter Valley, New South Wales. This project of circa \$50M in value not only demonstrated the technical capability of the company, but the ability to rapidly commence works on the eastern seaboard, utilising a national supply chain to deliver the project. The project will achieve practical completion in FY25.

Becoming an industry recognised construction contractor for projects with challenging, remote and multidisciplinary complexity and value up to \$100M has aligned well with the company's strategic plan.

Alltype Engineering continues to establish its Queensland footprint by securing works in Gas Processing and Compression Facilities.

In Western Australia, the workshop continued to perform admirably with consistent, reliable fabrication services for piping, tanks, steel, pressure vessels, skids and modules across a multitude of industries and clients.

Notably, the company completed the Lynas Rare Earths Waste Gas Treatment project in December 2023 and successfully demobilised from site prior to the traditional Christmas shutdown period, after almost 2 years of working on the plant in Kalgoorlie.

Infrastructure works including road, rail and water continued to drive revenue and backlog with contracts across the metropolitan area including the Woodman Point Wastewater Treatment Plant, the Point Peron SDOOL project and the new Alkimos Desalination plant.

The Western Australian domestic gas industry continued to provide revenue opportunities for new gas laterals and offtakes for various clients, as well as critical upgrades and debottlenecking to existing gas infrastructure and facilities.

Health, Safety, and Environment (HSE) Performance

Alltype Engineering maintained a steady safety record with a Total Recordable Injury Frequency Rate (TRIFR) remains well below industry benchmarks, including the manufacturing sector.

This outcome reflects the company's successful roll out of the in house developed "Our Safe Behaviours" and management High Risk Hazards which focuses on mitigating risk associated with serious consequence tasks and exposures which ultimately are part of industrial fabrication and construction.

Given the large number of kilometres driven by the teams to remote and metropolitan areas, it is a testament to our employees commuting and travelling to work and home safely every day, all over the country.

The Company heads into FY25 with a solid backlog of secured work and pipeline of new opportunities. Near term focus on rebuilding the order book and secured revenue is a priority for the business development teams as well as completing committed projects safely, on schedule and on budget.

The company continues to consider and field numerous new opportunities across the country despite the softening of commodities pricing. Many of these opportunities are via strategic alliances with technology providers and specialists as well as partnering with complimentary services providers.



The Royal Australian Navy and its Naval Construction Branch – representing the Department of Defence, and correspondingly the Commonwealth of Australia – and their Prime Contractors including Thales Australia, Babcock International, BAE Systems Australia, Navantia Australia and ASP Ships Group are Watmar Engineering's most critical clients today. A major engagement plan was enacted for maintaining and strengthening relationships across a breadth of stakeholders in New South Wales, South Australia and Western Australia. This engagement plan shall continue into FY2025, with successes to date including:

- the expansion of the Standing Offer Contract for Pumps and Pump Parts to apply now for all major Navy vessel platforms; and
- execution of a Mechanical Services subcontract with Thales Australia for Regional Maintenance Provider – East operations.

Key projects completed from the acquisition date of 3rd November 2023 through to 30th June 2024 include:

- Fire Pump Skids assembly to Zone II hazardous Area classification for supply and integration for a FPSO construction project in Dubai, UAE;
- BAE Commercial Marine's final vessel maintenance project of the Rio Tinto tugboat Wamalhanha for various fluid systems; and
- RMP-E Initial Campaign Corrective and Preventative Maintenance Spares supply for (i) Pumps and Pump-related Parts, (ii) Valves and Valve-related Parts, (iii) Motors and Motor-related Parts, and (iv) General Mechanical Parts.

At the end of the period Watmar Engineering's organisational structure was realigned with a clear focus for its two primary business activities:

- 1) Product and Equipment Sales; and
- 2) Maintenance Services and Projects,

lead by dedicated and experienced senior managers, backed by a streamlined Support Services team. Rightsizing the leadership team enables critical gaps in operational support roles to be filled so as to target improvement in business line productivity.

Health, Safety, and Environment (HSE) Performance

Watmar Engineering maintained a steady safety record with no reportable incidents, no lost time injuries, and HSE measures below industry benchmarks.

Operational Outlook

The engagement plan for key Defence clients has uncovered additional and emerging demand for increased materials supply, fluid system supply, and maintenance services for the market sector. Price escalation variations for existing Standing Offer Contracts are imminent, with the prospect that additional contract categories shall also be expanded to apply across all major Navy vessel platforms.

Complementary business development efforts have identified further business opportunities, not only from existing clients but also from new clients, particularly in Western Australia, New South Wales and Northern Territory. These new opportunities are aligned to the Business Strategy Plan, shall enable greater diversification into the Mining & Mineral Processing, Energy and the Industrial market sectors for additional projects and growth.

IN CLOSING

Whilst commodity price volatility over the past year has resulted in some projects tendered by both Alltype Engineering and SIMPEC to be placed on hold, we remain optimistic that development of the Australian energy transition and sustaining capital works tendered will open further opportunities over the medium to longer term.

Whilst strong fundamentals to long-term resources and energy demand will continue to fuel contract opportunities Group wide, diversity remains the key to a sustainable earnings profile.

SIMPEC has been successful in turning around its previous year's results with a disciplined approach to contracts and earnings focus, whilst Alltype Engineering continues to deliver profit in a competitive market through its diverse client base both locally and nationally.

With the successful acquisition of Watmar Engineering in November 2023, the company's diversification strategy is being rolled out in new markets, particularly its defence-based contract profile. Watmar's initial eight months' earnings were impacted by the timing of delivery of parts supply contracts to a major client by year end.

WestStar is demonstrating that it can diversify and deliver earnings stability through strategic accretive acquisitions, stabilised earnings, not restricted to revenue from mining and resource-based projects. These investment opportunities continue to be delivered with existing cash reserves and without the necessity of debt funding.

Post June 30, 2024, the Company has circa \$70M of work-in-hand with existing contracts, contract extensions and new projects secured across its subsidiaries.

The Company continues to progress its construction works primarily in Western Australia, New South Wales and Queensland, maintaining its strong reputation with its valued customer base now on a national footprint.

We would like to thank all teams for their individual contributions to each company and thank our long term supportive shareholders, for their investment and commitment.

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

14. COMMENTARY ON THE RESULTS FOR THE PERIOD

Refer to explanation item 12.

15. INFORMATION ON AUDIT

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

16. AUDIT OPINION

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2024

	Note	30 June 2024 \$	30 June 2023 \$
Revenue	2	205,599,451	304,275,242
Cost of goods sold		(180,970,191)	(284,865,711)
Gross Margin		24,629,260	19,409,531
Other income	2	2,006,933	1,145,290
Bargain purchase on business combination		582,655	-
Expenses:			
Occupancy expenses		(429,264)	(267,029)
Administration expenses	3	(17,343,461)	(14,080,685)
Depreciation & amortisation	8,9	(2,319,458)	(2,411,883)
Amortisation of customer relationships acquired	10	(134,175)	-
Finance costs	3	(672,797)	(804,121)
Expected credit loss		(585,321)	(156,080)
Share based payments expense	3	(1,099,853)	(182,413)
Foreign exchange gain / (loss)		(6,778)	-
Profit/(loss) on sale of plant and equipment		(34,911)	(15,941)
Expenses		(22,626,018)	(17,918,152)
Profit before income tax		4,592,830	2,636,669
Income tax expense		(1,299,069)	(877,703)
Profit after income tax		3,293,761	1,758,966
Other Comprehensive Income			
<i>Items that may be reclassified to profit or loss</i>		-	-
Other comprehensive profit, net of tax		-	-
Total comprehensive income / (loss)		3,293,761	1,758,966
Earnings per share			
Basic earnings cents per share		2.96	1.59

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2024

	Note	30 June 2024 \$	30 June 2023 \$
ASSETS			
Current Assets			
Cash and cash equivalents	5	13,678,160	16,114,782
Trade and Other receivables	6	22,338,776	22,004,949
Inventories		876,347	532,695
Financial Assets	16	1,177,843	833,880
Contract Assets	7	18,125,416	23,201,751
Total Current Assets		56,196,542	62,688,057
Non-Current Assets			
Financial Assets	16	1,750,502	1,633,284
Trade and Other receivables	6	411,901	293,904
Investments		283,075	283,075
Property, plant & equipment	8	5,788,879	5,019,260
Right of Use Asset	9	2,339,382	1,022,638
Deferred tax asset, net		713,290	1,922,792
Intangible Assets	10	5,782,779	4,508,116
Total Non-Current Assets		17,069,808	14,683,069
Total Assets		73,266,350	77,371,126
LIABILITIES			
Current Liabilities			
Trade & Other payables	11	28,315,995	37,460,260
Income tax payable		5,032,694	4,520,476
Provisions	12	2,743,749	6,529,940
Lease Liabilities	13	901,360	960,588
Contract Liabilities	7	3,067,938	609,447
Total Current Liabilities		40,061,736	50,080,711
Non-Current Liabilities			
Provisions	12	473,921	726,491
Lease Liabilities	13	2,746,546	973,391
Total Non-Current Liabilities		3,220,467	1,699,882
Total Liabilities		43,282,203	51,780,593
Net Assets		29,984,147	25,590,533
EQUITY			
Issued capital		25,435,791	24,455,791
Reserves		187,916	755,117
Retained Profits		4,360,440	379,625
Total Equity		29,984,147	25,590,533

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2024

	Attributable to Owners of the Company			
Note	Issued Capital	Share-based Payments Reserve	Retained Earnings/ (Accumulated Losses)	Total
	\$	\$	\$	\$
Balance at 30 June 2022	24,455,791	860,394	(1,667,031)	23,649,154
Change in accounting policies	-	-	-	-
Profit for the year	-	-	1,758,966	1,758,966
Total comprehensive profit for the year	-	-	1,758,966	1,758,966
Transactions with owners in their capacity as owners				
Transfer of expired options value	-	(287,690)	287,690	-
Recognition of share-based payments	-	182,413	-	182,413
Balance at 30 June 2023	24,455,791	755,117	379,625	25,590,533
Change in accounting policies	-	-	-	-
Profit for the year	-	-	3,293,761	3,293,761
Total comprehensive profit for the year	-	-	3,293,761	3,293,761
Transactions with owners in their capacity as owners				
Transfer of expired performance rights value	-	(482,610)	482,610	-
Transfer of expired options value	-	(204,444)	204,444	-
Recognition of share-based payments	980,000	119,853	-	1,099,853
Balance at 30 June 2024	25,435,791	187,916	4,360,440	29,984,147

CONSOLIDATED STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 30 JUNE 2024

	Note	30 June 2024 \$	30 June 2023 \$
Cash flows from operating activities			
Receipts from customers		237,011,634	310,554,978
Payments to suppliers and employees		(238,230,373)	(316,270,094)
Interest received		341,576	55,223
Interest paid		(277,663)	(659,106)
Other income		1,665,357	1,090,066
Net cash flows (used in) / provided by operating activities		510,531	(5,228,933)
Cash flows from investing activities			
Payments for financial assets		(1,721,165)	(604,386)
Proceeds from return of financial assets		1,318,278	2,665,161
Purchase of property, plant & equipment		(838,490)	(1,032,513)
Proceeds from sale of property, plant & equipment		7,182	6,818
Acquisition of subsidiary, net of cash acquired		(801,057)	-
Net cash flows provided by / (used in) investing activities		(2,035,252)	1,035,080
Cash flows from financing activities			
Loan to Unrelated parties as part of the Watmar acquisition		(911,901)	-
Net cash flows used in financing activities		(911,901)	-
Net (decrease) / increase in cash and cash equivalents		(2,436,622)	(4,193,853)
Cash and cash equivalents at the beginning of the period		16,114,782	20,308,635
Cash and cash equivalents at the end of the period	5	13,678,160	16,114,782

NOTES TO THE PRELIMINARY FINANCIAL REPORT

NOTE 1: BASIS OF PREPARATION OF THE FINAL REPORT

BASIS OF PREPARATION

This preliminary final report for the year ended 30 June 2024 relates to the consolidated entity consisting of WestStar Industrial Limited ("WestStar" or "the Group") and its controlled entities.

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

This preliminary final report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual financial report of the year ended 30 June 2023, the half-year report for the period ended 31 December 2023 and any public announcements made by WestStar during the year in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

STATEMENT OF COMPLIANCE

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

NOTE 2: REVENUE AND OTHER INCOME

	2024 \$	2023 \$
REVENUE		
- Construction and engineering services and sale of goods	205,599,451	304,275,242
	205,599,451	304,275,242
OTHER INCOME		
- Interest income	341,576	55,223
- Insurance recoveries	1,438,712	970,698
- Scrap metal sales	64,051	76,043
- Sundry income	162,594	43,326
	2,006,933	1,145,290

NOTE 3: EXPENSES

	2024 \$	2023 \$
ADMINISTRATIVE EXPENSES		
- Employee wages and salaries	12,711,198	8,901,140
- Professional services and consultant fees	2,006,791	2,516,216
- Insurance	389,499	425,575
- ASX and Share registry fees	50,702	47,203
- Motor vehicle expenses	91,943	47,641
- General administrative costs	2,093,328	2,142,910
	17,343,461	14,080,685
	2024 \$	2023 \$
FINANCE COSTS		
- Interest and associated borrowing costs to unrelated third parties	672,797	804,121
	672,797	804,121
	2024 \$	2023 \$
SHARE BASED PAYMENTS EXPENSE		
- Share based payments expense ¹	1,099,853	182,413
	1,099,853	182,413

¹ Includes an amount of \$980,000 relating to the issue of 7M ordinary shares on 31 May 2024.

NOTE 4: ACQUISITION OF WATMAR ENGINEERING PTY LTD

On 3 November 2023, WestStar acquired 100% of the business and assets of Watmar Engineering Pty Ltd ("WATMAR") in a cash only acquisition.

(i) Business Acquisition Consideration

The consideration for the acquisition comprised:

- \$874,053 cash consideration.
- \$91,201 payment of finance leases

(ii) Fair value of consideration transferred

Under the principles of AASB 3 '*Business Combinations*', the assets and liabilities of WATMAR are measured at fair value on the date of acquisition.

(iii) Discount / Bargain purchase on Business Combination

Discount on acquisition is calculated as the difference between the fair value of consideration transferred less the fair value of the identified net assets of Watmar. Details of the transaction are as follows:

	Fair Value \$
<i>Consideration</i>	
Cash	874,053
Payment of finance leases	91,201
Total consideration	<u>965,254</u>
 <i>Fair value of assets and liabilities held at acquisition date:</i>	
Cash	72,996
Trade and other receivables	630,078
Prepayments	44,734
Plant and equipment	695,055
Right of Use Asset	1,625,400
Inventories	360,600
Contract Assets	649,565
Trade and other payables	(886,916)
Provisions	(284,735)
Right of Use Liability	(1,641,978)
Contract Liabilities	(703,076)
Customer relationships acquired on a business combination	1,408,838
Deferred tax liability on intangible assets recognised	(422,652)
Fair value of identifiable assets and liabilities assumed	<u>1,547,909</u>
Bargain purchase on business combination	<u>(582,655)</u>

To assess the fair value of the Customer Relationships the Group engaged an external expert to assess the fair value of the customer relationships. The external expert adopted the multi-period excess earnings method. This methodology involved:

- Using the WATMAR financial forecast as the basis for estimating the cash flow generating ability of the Customer Relationships intangible asset.
- Estimating the forecast cash flows generated by the key customer relationships, then discounting the cash flows to their present value.
- The forecast cash flows generated by the Customer Relationships were then reduced by fixed asset and working capital contributory asset charges.
- The resulting net cash flows were then discounted to present value at an assessed discount rate of 19.5%.

NOTE 5: CASH AND CASH EQUIVALENTS

	2024 \$	2023 \$
Cash and bank balances	13,678,160	16,114,782
Balances as above	13,678,160	16,114,782
Bank overdraft	-	-
Balances per Statement of Cashflows	13,678,160	16,114,782

NOTE 6: TRADE AND OTHER RECEIVABLES

	2024 \$	2023 \$
Trade receivables (Current)		
Trade receivables	19,857,279	21,813,489
Less Allowance for doubtful debts	-	-
	19,857,279	21,813,489
Retentions	1,085,656	120,413
Other receivables	1,047,542	25,181
Prepayments	348,299	45,866
	22,338,776	22,004,949

	2024 \$	2023 \$
<30 days	17,383,618	19,039,253
30-60 days	2,215,231	254,343
60-90 days	2,438	41
90+ days	255,992	2,519,852
Total	19,857,279	21,813,489

	2024 \$	2023 \$
Trade receivables (Non-Current)		
Retentions	-	218,904
Other receivables	986,901	75,000
Provision for expected credit loss	(575,000)	-
	411,901	293,904

NOTE 7: OTHER ASSETS AND OTHER LIABILITIES

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

	2024 \$	2023 \$
Other Assets		
Contract assets	18,125,416	23,201,751
	18,125,416	23,201,751

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

	2024 \$	2023 \$
Other Liabilities		
Contract liabilities	3,067,938	609,447
	3,067,938	609,447

NOTE 8: PROPERTY, PLANT AND EQUIPMENT

	2024 \$	2023 \$
Gross carrying value at cost	10,771,448	8,613,522
Accumulated depreciation	(4,982,569)	(3,594,262)
Net carrying value at cost	5,788,879	5,019,260

	Plant & Equipment \$	Motor Vehicles \$	Total \$
Gross carrying value at cost			
At 1 July 2023	7,257,658	1,355,864	8,613,522
Additions	816,091	639,086	1,455,177
Additions from acquisition via business combination	445,137	381,045	826,182
Disposals	(123,433)	-	(123,433)
At 30 June 2024	8,395,453	2,375,995	10,771,448
Accumulated depreciation			
At 1 July 2023	(3,070,279)	(523,983)	(3,594,262)
Disposals	80,763	-	80,763
Accumulated depreciation from acquisition via business combination	(91,435)	(39,692)	(131,127)
Depreciation	(1,031,690)	(306,253)	(1,337,943)
At 30 June 2024	(4,112,641)	(869,928)	(4,982,569)
Total at 30 June 2024	4,282,812	1,506,067	5,788,879

NOTE 9: RIGHT OF USE ASSET AND LIABILITY

	2024 \$	2023 \$
Right of Use Asset		
Lease asset	6,493,142	4,041,736
Accumulated depreciation	(4,153,760)	(3,019,098)
	2,339,382	1,022,638
	Right of Use Asset \$	
Gross carrying value		
At 1 July 2023	4,041,736	
Additions	170,129	
Lease modifications	502,730	
Additions from acquisition via business combination	1,778,547	
At 30 June 2024	6,493,142	
Accumulated depreciation		
At 1 July 2023	(3,019,098)	
Depreciation charge	(981,515)	
Accumulated depreciation from acquisition via business combination	(153,147)	
At 30 June 2024	(4,153,760)	
(a) Depreciation and Amortisation Expense	\$	\$
Depreciation expense - Property, Plant & Equipment (i)	8 1,337,943	1,596,063
Amortisation - Right of Use Assets	9(a) 981,515	815,820
	2,319,458	2,411,883

NOTE 10: INTANGIBLE ASSETS

	2024 \$	2023 \$
Goodwill - Alltype Engineering	3,515,918	3,515,918
Goodwill - SIMPEC	992,198	992,198
Total Goodwill	4,508,116	4,508,116
Customer relationships acquired in a business combination	1,408,838	-
Less: Amortisation of Customer relationships acquired	(134,175)	-
Total Other Intangibles ¹	1,274,663	-
Total Intangibles	5,782,779	4,508,116

¹ Other Intangibles relate to Customer relationships acquired in a Business Combination (see Note 4) and will be amortised over a period of 7 years.

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

- a. SIMPEC Goodwill
- b. Alltype Engineering Goodwill

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

- c. SIMPEC Goodwill
- d. Alltype Engineering Goodwill

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

The recoverable amounts of the above segments were based on their value in use with the Group performing its annual impairment test in June 2024. The carrying amount of the operating segments were determined to be lower than their recoverable amounts and therefore no impairment charge has been recognised. We have considered the effects of our clients' activities which may include resources commodity prices, commercial construction activity, awards of new contracts, deferrals of existing contracts, disruptions to supply chain and disruptions to existing operations.

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

- Cash flows were projected based on past experience, actual operating results and independent research on the markets in which the segments operate.
- The five-year cash flow estimates used in assessments for all CGU's were based on Board approved budgets for the year ending 30 June 2024.
- Growth assumptions thereafter are Alltype Engineering 2%; SIMPEC 2% per annum for each future year.
- The terminal value assumes perpetual growth of 2.0% (2023: 2.0%).
- The margins included in the projected cash flow are the same rate that has been achieved by projects commencing in 2024.
- A pre-tax discount rate between 15% and 19% was applied. This discount rate was estimated based on past experience and industry average weighted cost of capital.

NOTE 11: TRADE AND OTHER PAYABLES

	2024 \$	2023 \$
Trade payables	17,784,000	19,342,308
Other creditors and accruals	10,531,995	18,117,952
	28,315,995	37,460,260

NOTE 12: PROVISIONS

	2024 \$	2023 \$
Annual Leave - Current	2,068,141	3,051,911
Long Service Leave - Current	145,804	121,579
Other provisions	529,804	3,356,450
	2,743,749	6,529,940
Long Service Leave – Non-Current	473,921	726,491
	473,921	726,491

NOTE 13: LEASE LIABILITIES

	2024 \$	2023 \$
Right of Use Lease liability - Current	382,479	742,886
Other lease liabilities - Current	518,881	217,702
	901,360	960,588
	2024 \$	2023 \$
Right of Use Lease liability – Non-Current	1,942,857	341,829
Other lease liabilities – Non-Current	803,689	631,562
	2,746,546	973,391

NOTE 14: OPERATING SEGMENTS

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

- SIMPEC Pty Ltd is a construction contractor with specialist experience in both Structural Mechanical and Piping and Electrical and Instrumentation works;
- Alltype Engineering Pty Ltd provides workshop, site installation, construction and maintenance services to the oil and gas, water, power generation, infrastructure, mining, resources, utility, petrochemical and defence industries; and
- Watmar Engineering Pty Ltd is a fluid systems engineering specialist providing services to the Defence and Marine sectors.

Segment reporting	SIMPEC	Alltype Engineering	Watmar Engineering	Group
	\$	\$	\$	\$
Year ended 30 June 2024				
Segment revenue	110,645,572	91,948,615 ¹	3,005,264	205,599,451
Segment operational expense	(98,621,005)	(80,196,024)	(2,153,162) ²	(180,970,191)
Segment gross margin	12,024,567	11,752,591	852,102	24,629,260
Segment overheads	(8,005,681)	(9,093,398)	(1,308,392)	(18,407,471)
Segment operating profit/(loss)	4,018,886	2,659,193	(456,290)	6,221,789
Other income - operational	1,297,730	678,076	16,085	1,991,891
Net Operating Profit/(loss) before Tax & Corporate Admin. expenses	5,316,616	3,337,269	(440,205)	8,213,680
Bargain purchase on business combination				582,655
Other Income				15,041
Corporate & administration ³				(4,218,546)
Net Operating Profit before Tax				4,592,830
Income tax expense				(1,299,069)
Net Operating Profit after Tax				3,293,761

¹ Alltype Engineering segment revenue excludes \$381,913 intercompany revenue

² Watmar Engineering segment operational expense excludes \$381,913 intercompany cost of sales

³ Includes Share Based Payments expense of \$1,099,853

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

¹ Alltype Engineering segment revenue excludes \$4,940 intercompany revenue

² SIMPEC segment operational expense excludes \$4,940 intercompany cost of sales

NOTE 14: OPERATING SEGMENTS (CONT...)

Segment reporting	SIMPEC	Alltype Engineering	Watmar Engineering	Group
	\$	\$	\$	\$
Year ended 30 June 2024				
Segment assets	27,455,056	38,023,271	5,852,211	71,330,538
Segment liabilities	(13,934,250)	(18,611,037)	(3,653,509)	(36,198,796)
Segment asset & liabilities	13,520,806	19,412,234	2,198,702	35,131,742
Cash and corporate assets				1,935,812
Corporate liabilities				(7,083,407)
Total asset & liabilities				29,984,147
Year ended 30 June 2023				
Segment assets	43,381,901	32,739,519		76,121,420
Segment liabilities	(33,327,203)	(13,396,702)		(46,723,905)
Segment asset & liabilities	10,054,698	19,342,817		29,397,515
Cash and corporate assets				1,249,706
Corporate liabilities				(5,056,687)
Total asset & liabilities				25,590,534

The Group is domiciled in Australia. All revenue from external customers is generated from Australia only.

NOTE 15: CONTINGENCIES AND COMMITMENTS

During the year ended 30 June 2024 the Group entered into \$1.721M, and had returned \$1.318M respectively, worth of bond facilities ("the Facilities") with Export Finance Australia. As at 30 June 2024, the total value of bond facilities available to the Group under this facility amounted to \$15.0M, of which \$6.4M has been committed with the balance of \$8.6M uncommitted.

In addition, on 9 May 2024 the Group entered into a contract performance bond facility of \$7M with Assetinsure as agent for Swiss Re International SE. The term of the facility is 12 months renewable annually. As at 30 June 2024 the bond facility was drawn to the value of \$4.519M.

NOTE 16: FINANCIAL ASSETS

As at 30 June 2024, the Group has provided bank guarantees which are held in term deposits of \$2,928,345 (2023: \$2,467,164) to various customers and suppliers of which \$1,177,843 is in current assets (30 June 2023: \$833,880) and \$1,750,502 is in non-current assets (30 June 2023: \$1,633,284).

NOTE 17: SUBSEQUENT EVENTS

There were no matters or circumstances arising since the end of the reporting period that have significantly affected or may significantly affect the operations of the Group and the results of those operations or the state of the affairs of the Group in the financial period subsequent to 30 June 2024.