# WestStar Industrial

ASX:WSI | ABN 38 119 047 693

# ANNUAL REPORT 2019

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## CORPORATE DIRECTORY

**Directors**
Mr Lay Ann Ong (Non-Executive Director)
Mr Philip Re (Non-Executive Director)
Mr Umberto Mondello (Non-Executive Director)

**Company Secretary**
Mr Derek Hall

**Registered Office**
Suite 1 Ground Floor
437 Roberts Road
SUBIACO, WA, 6008
Telephone: +61 8 6380 2555
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**Website**
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**Share Registry**
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WEST PERTH WA 6005
Telephone: + 61 8 9324 2099
Facsimile: + 61 8 9321 2337

**Auditors**
Criterion Audit Pty Ltd
PO Box 2138
SUBIACO, WA, 6904

**Stock Exchange**
Australian Securities Exchange
(Home Exchange: Perth, Western Australia)

**ASX Code**
WSI

## CORPORATE GOVERNANCE STATEMENT

### 1. OUR APPROACH TO CORPORATE GOVERNANCE

### (A) FRAMEWORK AND APPROACH TO CORPORATE GOVERNANCE AND RESPONSIBILITY

The Directors of WestStar Industrial Limited ("WestStar" or "the Company") is committed to maintaining the highest standards of corporate governance.

Corporate governance is about having a set of values that underpin the company's everyday activities - values that ensure fair dealing, transparency of actions, and protect the interests of stakeholders. The Board considers corporate governance forms part of a broader framework of corporate responsibility and regulatory oversight.

In pursuing its commitment to best practice governance standards, the Board will continue to:

- review and improve its governance practices; and
- monitor global developments in best practice corporate governance.

The Board is guided by the principles and practices that are in our stakeholders' best interests while ensuring full compliance with legal requirements.

### (B) COMPLIANCE WITH THE ASX CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS

The ASX Listing Rules require listed companies to include in their Annual Report a statement disclosing the extent to which they have followed the ASX Corporate Governance Principles and Recommendations in the reporting period.

In accordance with ASX Listing Rules 4.10.3 and 4.7.4, the Corporate Governance Statement will be available for review on the Company's website and will be lodged together with an Appendix 4G with the ASX at the same time that this Annual Report is lodged with ASX.

The Appendix 4G will identify each recommendation that needs to be reported against by the Company and will provide shareholders with information as to where relevant disclosures can be found.

The Company's corporate governance policies and charters are available at the Company's website www.wsindustrial.com.au.

Listed companies must identify the recommendations that have not been followed and provide reasons for the company's decision.

This Governance Statement describes WestStar's governance practices and notes where they do not comply with the ASX Corporate Governance Principles and Recommendations.

### 2. DATE OF THIS STATEMENT

This statement reflects WestStar's corporate governance policies and procedures as at 30 September 2019.

## DIRECTORS' REPORT

The Directors of WestStar Industrial Limited submit the financial report of WestStar Industrial Limited ("the Company") and its controlled entities ("the Group" or "Consolidated Entity") for the year ended 30 June 2019. In order to comply with the provisions of the Corporations Act 2001, the Directors' report as follows:

## DIRECTORS

The names, qualifications and experience of the Company's Directors in office during the year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

**Mr Lay Ann Ong**
**Non-Executive Director**

Mr Lay Ann Ong is an experienced entrepreneur and executive, having held senior executive positions with both public and private companies globally over the last 18 years. Mr Ong founded West Star Group in 2000 in Singapore. The West Star family office has interests in various listed and unlisted companies in the property development, technology, commodities, energy, construction, and food and beverage sector in South East Asia and Australia. Mr Ong has held Chairman, CEO and director positions within the WestStar Group and is also director of ISDN Investments a wholly owned subsidiary of ISDN Holdings Limited, a company listed on the SGX. Mr Ong holds a degree in Law from University of Manchester and a Master in Business Administration from Manchester Business School.

Special responsibilities: Nil
Other current directorships of Listed companies: Nil
Former directorships of Listed Companies in the last 3 years: Nil

**Mr Philip Re**
**Non-Executive Director**

Mr Philip Re has been a Director for a number of publicly listed and unlisted companies involving transactions in property development and investment, technology, education, mining exploration and production, and the renewable energy industry. He has been directly involved in Raising Capital, Merger & Acquisitions, Initial Public Offers and Reverse Takeovers for various ASX listed companies and unlisted property syndicates over many years. Mr Re is the Managing Director of Regency Corporate Pty Ltd where he provides corporate advisory services.

Special responsibilities: Nil
Other current directorships of Listed companies: Emerge Gaming Limited
Former directorships of Listed Companies in the last 3 years: iCollege Limited, The Agency Group Australia Limited

**Mr Umberto (Bert) Mondello**
**Non-Executive Director**

Mr Bert Mondello has more than 20 years' experience across both the private and public sectors. An as Executive, Mr Mondello has substantial capital markets experience and knowledge of equity markets having participated in company restructures, IPOs, RTOs, investor placements and seed raisings. With experience spanning the retail and institutional sectors and extensive knowledge of marketing communications and investor relations, Mr Mondello has provided strategic corporate advice to a number of organisations across multiple industries. Mr Mondello is currently the Chairman for Emerge Gaming Ltd (ASX: EM1) and ServTech Global Holdings Ltd (ASX: SVT) and a Non-Executive Director of ZipTel Ltd (ASX: ZIP) and WestStar Industrial Ltd (ASX: WSI). He holds a Bachelor of Laws from The University of Notre Dame, Australia.

Special responsibilities: Nil
Other current directorships of Listed companies: ZipTel Limited, Emerge Gaming Limited, ServTech Global Holdings Limited
Former directorships of Listed Companies in the last 3 years: Nil

## COMPANY SECRETARY

**Mr Derek Hall**
Mr Hall is a Chartered Accountant, Fellow of the Financial Services Institute and Member of the Institute of Chartered Secretaries and Administrators.

## INTERESTS IN THE SECURITIES OF THE COMPANY

As at the date of this report, the interests of the Directors in the securities of WestStar Industrial Limited are:

| Director | Ordinary Shares |
|---|---|
| Mr Lay Ann Ong | 74,343,686 |
| Mr Philip Re | 802,676 |
| Mr Bert Mondello | - |

**RESULTS OF OPERATIONS**

WestStar Industrial Limited posted a maiden net profit after taxation of $984,287 for the year to 30 June 2019 (2018: net loss of $3,067,725). Based on this profit, the Company posted a strong underlying EBITDA figure of $1.39M as calculated below. This is a major milestone for the Company and a significant turnaround from prior periods. Contractor subsidiary SIMPEC Pty Ltd ("SIMPEC") achieved a turnover to support profitable operations in the second half of the year and the result was a profit for the full year.

| | **Year ended 30 June 2019 $** |
|---|---|
| Profit after income tax expense | **984,287** |
| Add back: | |
| Interest and financing costs | 244,798 |
| Depreciation | 157,867 |
| **EBITDA*** | **1,386,952** |

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

The Company posted revenue from ordinary activities of $28.5M, 214% higher than FY2018 ($9.1M). This was a direct result of SIMPEC gaining traction in the market - winning more work and larger contracts and delivering the contracts profitably.

With SIMPEC now well established, the Company is well placed to deliver a strong result in FY2020.

**DIVIDENDS**

No dividend was paid or declared by the Company during the year and up to the date of this report.

**CORPORATE STRUCTURE**

WestStar Industrial Limited is a company limited by shares, which is incorporated and domiciled in Australia.

**NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES**

The principal activities of companies within the Group during the financial year was the provision of engineering, construction and mining services. The Company's key operating subsidiary is SIMPEC, a construction contractor with specialist experience in both Structural, Mechanical and Piping (SMP), and Electrical and Instrumentation (E&I) works). The Company also operates Precast Australia Pty Ltd ("Precast Australia"), a manufacturer of precast concrete products, structures and elements; and Distinct Developments Pty Ltd ("Distinct") a property development business.

**REVIEW OF OPERATIONS**

***Operations***

After an extended period of tendering, SIMPEC was awarded several material contracts towards the end of calendar 2018. These contract awards included:

- $1.7M contract with Iluka Resources at their Cataby mineral project;
- $4M contract with ATCO Structures and Logistics at Rio Tinto's West Angelas iron ore mine;
- $8M contract with MSP Engineering at the Tianqi Lithium Kwinana processing plant; and
- $4.5M contract with Rio Tinto at their Cape Lambert Port Facility

Subsequent to these awards, on 1 May 2019, the Company announced its largest award to date: a $10M with ATCO Structures and Logistics at Fortescue's Eliwana iron ore mine. SIMPEC was also successful in winning significant contract scope extensions across its existing contracts.

Over the course of the financial year, the Group (including SIMPEC and Precast Australia) was awarded total contracts to the value of $50M. The delivery of these contracts resulted in record cash receipts for the Group and a strong cash position of more than $10M at the end of the financial year.

***Corporate Update***

On 17 April 2019, the Company completed a $2.4 million placement, with strong support from existing shareholders along with the introduction of new high-quality domestic and international institutional and professional investors. Hartleys Limited was engaged as Lead Broker to the placement.

**SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

Other than disclosed elsewhere in this Directors report, there have been no significant changes in the state of affairs of the Group which occurred during the financial year.

**SIGNIFICANT EVENTS AFTER THE BALANCE DATE**

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 Company and the results of those operations or the state of the affairs of the Company in the financial period subsequent to 30 June 2019.

**LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS**

Likely developments in the operations of the Company are set out in the above review of operations in this annual report.
Any future prospects are dependent upon the success of the Company's operational subsidiaries.

## INDEMNIFYING OFFICERS OR AUDITOR

During the financial year, the Company paid a premium in respect of a contract insuring the Directors of the Company (as named above), the company secretary, and all executive officers of the Company and of any related body corporate against a liability incurred as such a director, secretary or executive officer 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.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

## PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of court to bring proceedings on behalf of the Company or 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 any part of those proceedings. The Company was not a party to any such proceedings during the year.

## DIRECTORS' MEETINGS

During the financial year, in addition to regular Board discussions, the number of meetings of directors held during the year and the number of meetings attended by each director were as follows:

| Director | Number of Meetings Eligible to Attend | Number of Meetings Attended |
|---|---|---|
| Mr Lay Ann Ong | 4 | 4 |
| Mr Philip Re | 4 | 4 |
| Mr Bert Mondello | 4 | 4 |

## NON-AUDIT SERVICES

No non-audit services were provided by the Company's auditor, Criterion Audit Pty Ltd.

## SHARE OPTIONS

As at the date of this report, the Company had no options on issue.

## AUDITOR INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires the Company's auditors to provide the Directors of the Company with an Independence Declaration in relation to the audit of the full year financial report. The Independence Declaration forms part of this Directors' Report. A copy of that declaration is included in this annual report.

## AUDITED REMUNERATION REPORT

This report outlines the remuneration arrangements in place for Directors and executives of WestStar Industrial Limited in accordance with the requirements of the *Corporation Act 2001* and its Regulations. For the purpose of this report, Key Management Personnel (KMP) of the Company are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group.

**Details of Key Management Personnel**

The Directors and other key management personnel of the Group during or since the end of the financial year were:

| | |
|---|---|
| Mr Lay Ann Ong | Non-Executive Director |
| Mr Philip Re | Non-Executive Director |
| Mr Bert Mondello | Non-Executive Director |
| | |
| Mr Robert Spadanuda | CEO (WestStar Group) |
| Mr Mark Dimasi | Managing Director (SIMPEC) |

**Remuneration Policy**

The Board is responsible for determining and reviewing compensation arrangements for the Directors and, if required, senior executives of the Company ("the Directors and senior executives"). These arrangements will be competitively set to attract and retain appropriately qualified and experienced Directors and senior executives.

The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. The Board may obtain independent advice on the appropriateness of remuneration packages given trends in comparative companies both locally and internationally and the objectives of the Company's remuneration strategy. No such advice was obtained during the current year.

As part of its Corporate Governance Policies and Procedures, the Board has adopted a formal Remuneration Committee Charter. Due to the current size of the Company and number of directors, the board has elected not to create a separate Remuneration Committee but has instead decided to undertake this function as a full Board under the guidance of the charter.

The rewards for Directors' have no set or pre-determined performance conditions or key performance indicators as part of their remuneration due to the current nature of the business operations. The Board determines appropriate levels of performance rewards as and when they consider rewards are warranted.

**Non-executive Director remuneration**

Non-executive Directors are remunerated by way of fees, in the form of cash, non-cash benefits, where applicable superannuation contributions or salary sacrifice into equity and do not normally participate in schemes designed for the remuneration of executives.

Shareholders approval must be obtained in relation to the overall limit set for the non-executive Directors' fees. The maximum aggregate remuneration approved by shareholders for non-executive Directors is $300,000 per annum. The Directors set the individual non-executive Director fees within the limit approved by shareholders.

**Employment Contracts of Directors and Senior Executives**

The employment contracts typically stipulate 3 month resignation periods. The Company may also at its sole discretion terminate an employment contract immediately by making a payment equal to the salary for the relevant period of notice. There are no employment contracts relating to Non-Executive Directors or the Company Secretary other than those outlined above.

**Relationship between the remuneration policy and Company performance**

The Directors considers that at this time, evaluation of the Company's financial performance using generally accepted measures such as total shareholder return or per Company comparison are not relevant as the Company has a limited trading history and is continuing to establish itself as outlined in the Directors' report. Fees for non-executive directors are not linked to the performance of the Group.

The earnings of the listed entity for the five years to 30 June 2019 are summarised below:

| WestStar Industrial Limited | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| Revenue ($'000) | 28,943 | 9,115 | 4,578 | 14 | 432 |
| NPAT ($'000) | 984 | (3,067) | (6,577) | (794) | 2,599 |

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

| WestStar Industrial Limited | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| Dividends | - | - | - | - | - |
| Basic EPS (cents per share) | 0.002 | (0.008) | (0.031) | (3.63) | 14.84 |

*Net profit/(loss) and earnings per shares figures for periods prior to 2017 are as previously disclosed and have not been updated for subsequent acquisitions and therefore these figures may not be comparable to the 2019 figures.

**Loans to Directors and Executives**

There were no loans to directors and executives during the financial year ended 30 June 2019.

**Share-based Compensation**

*Issue of shares*

On 2 August 2018, Mr Mark Dimasi (and / or his nominees) was granted 18,750,000 fully paid ordinary Shares. These shares were issued on the conversion of unlisted service-based Performance Rights (Rights) which were subject to completion of one year of service within the Group (Service Conditions). The Service Conditions of the Rights were satisfied on the grant date and these Rights were converted into fully paid ordinary shares. These shares were valued as at the date of their grant ($318,750) and are reflected below as a Share based payment.

Apart from this issuance, there were no share issued to directors and other key management personnel as part of compensation during the year ended 30 June 2019.

*Options*

There were no grants of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year. No options vested, lapsed or were exercised during the year.

**Voting and comments made at the company's 2018 Annual General Meeting**

WestStar Industrial Limited received more than 99% of "yes" votes on its remuneration report for the 2018 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

**Remuneration Expense Details for the Year Ended 30 June 2019**

The following table of benefits and payments represents the components of the current year and comparative year remuneration expenses for each member of KMP of the Company. Such amounts have been calculated in accordance with Australian Accounting Standards.

| | | **Short Term employee benefits** | | **Post employment benefits** | | **Share based payments** | **Total** |
|---|---|---|---|---|---|---|---|
| **Director** | | Base Salary & Fees $ | Other $ | Superannuation $ | Termination benefits $ | Shares & options $ | **$** |
| Lay Ann Ong | 2019 | 48,000 | - | - | - | - | 48,000 |
| | 2018 | 48,000 | - | - | - | - | 48,000 |
| Philip Re | 2019 | 86,063 | - | 7,410 | - | - | 93,473 |
| | 2018 | 48,000 | - | - | - | - | 48,000 |
| Bert Mondello | 2019 | 86,063 | - | 7,410 | - | - | 93,473 |
| | 2018 | 48,000 | - | - | - | - | 48,000 |
| **Management** | | | | | | | |
| Robert Spadanuda | 2019 | 160,000 | 24,000 | 17,480 | - | - | 201,480 |
| | 2018 | 135,000 | 25,000 | 15,200 | - | - | 175,200 |
| Mark Dimasi | 2019 | 148,270 | 26,000 | 16,556 | - | 318,750 | 509,576 |
| | 2018 | 168,076 | - | 15,967 | - | - | 184,043 |
| **Total** | **2019** | **528,396** | **50,000** | **48,856** | **-** | **318,750** | **946,002** |
| | **2018** | **447,076** | **25,000** | **31,167** | **-** | **-** | **503,243** |

**Shareholdings of Key Management Personnel**

The number of shares in the Company held during the financial year held by each director of WestStar Industrial Limited, including their personally related parties, is set out below. There were no shares granted during the year as compensation.

| **Director** | **Held at 30 June 2018** | **Granted as compensation** | **Net change other** | **Held at 30 June 2019** |
|---|---|---|---|---|
| Lay Ann Ong | 74,343,686 | - | - | 74,343,686 |
| Philip Re | 138,619 | - | 664,057 | 802,676 |
| Bert Mondello | - | - | - | - |
| **Management** | | | | |
| Robert Spadanuda | - | - | - | - |
| Mark Dimasi[1] | 9,375,000 | 18,750,000 | (18,750,000)[1] | 9,375,000 |

1. During the year, Mr Mark Dimasi was issued 18,750,000 fully paid ordinary shares which were converted from service-based Performance Rights upon the Service Conditions of the Performance Rights being met on 2 August 2019. Mr Mark Dimasi allotted these securities to unrelated nominees.

For the previous year ended 30 June 2018:

| Director | Held at 30 June 2017 | Granted as compensation | Net change other | Held at 30 June 2018 |
|---|---|---|---|---|
| Lay Ann Ong | 74,343,686 | - | - | 74,343,686 |
| Philip Re | - | - | 138,619 | 138,619 |
| Bert Mondello | - | - | - | - |
| **Management** | | | | |
| Robert Spadanuda | - | - | - | - |
| Mark Dimasi[1] | - | - | 9,375,000 | 9,375,000 |

1. In partial consideration of the acquisition of SIMPEC Pty Ltd, Mr Mark Dimasi (and / or his nominees) were issued 18,750,000 fully paid ordinary shares (half of the 37,500,000 first tranche of consideration shares issued). Mr Mark Dimasi allotted 9,375,000 to entities controlled by him and the balance to unrelated nominees.

**Option holdings of Key Management Personnel**
The numbers of options over ordinary shares in the company held during the financial year by each director of WestStar Industrial Limited and specified executive of the Group, including their personally related parties, are set out below:

| Director | Held at 30 June 2018 | Granted as compensation | Net change other | Held at 30 June 2019 | Vested Options | |
|---|---|---|---|---|---|---|
| | | | | | Exercisable | Not exercisable |
| Lay Ann Ong | 15,000,000 | - | - | 15,000,000[1] | 15,000,000[1] | - |
| Philip Re | - | - | - | - | - | - |
| Bert Mondello | - | - | - | - | - | - |
| **Management** | | | | | | |
| Robert Spadanuda | - | - | - | - | - | - |
| Mark Dimasi | - | - | - | - | - | - |

1. These options lapsed post year end on 6 July 2019.

For the previous year ended 30 June 2018:

| Director | Held at 30 June 2017 | Granted as compensation | Net change other | Held at 30 June 2018 | Vested Options | |
|---|---|---|---|---|---|---|
| | | | | | Exercisable | Not exercisable |
| Lay Ann Ong | 15,000,000 | - | - | 15,000,000 | 15,000,000 | - |
| Philip Re | - | - | - | - | - | - |
| Bert Mondello | - | - | - | - | - | - |
| **Management** | | | | | | |
| Robert Spadanuda | - | - | - | - | - | - |
| Mark Dimasi | - | - | - | - | - | - |

**Rights holdings of Key Management Personnel**
There were no rights on issue as at year end.

**Other transactions with Key Management Personnel**
*Regency Corporate Pty Limited*
Regency Corporate (and its nominees), a company of which Mr Philip Re is a director, provided the Company with a fully serviced office including administration and information technology support and reimbursement of payments for financial accounting fees, corporate secretarial, bookkeeping, CFO and corporate advisory services of $269,250 plus GST in the period.

As at 30 June 2019, the amount outstanding from the Company to Regency Corporate was $44,990.

*24 Prowse Street Pty Ltd*
On 12 June 2018, WestStar announced that Distinct Developments Pty Ltd ("Distinct") had secured a management contract (the "Contract") for the design and construction of a commercial mixed-use building (the "Project") in West Perth, Western Australia. To fast-track the development, Distinct made a working capital facility ("Facility") of $750,000 available to the owner, 24 Prowse Street Pty Ltd, for the purposes of assisting with the property settlement, design consultants, development approvals, rates and taxes. The Facility is provided with an interest rate of 10% per annum payable to Distinct with a 36 months' maturity period. Mr Mark Dimasi is a director of 24 Prowse Street Pty Ltd. During the year, a further $42,774 was advanced to 24 Prowse Street Pty Ltd by the Company.

*Dimasi Family Trust*
During the year, The Dimasi Family Trust, an entity related to Mr Mark Dimasi, was paid $65,458 in relation to provision of administrative services for the Group.

*Indomain Enterprises Pty Ltd*
Indomain Enterprises, a company of which Mr Bert Mondello is a director, provided the Company with corporate advisory services of $48,000 plus GST in the period. As at 30 June 2019, the amount outstanding from the Company to Indomain Enterprises was $14,300.

*WestStar Precast Pte Ltd*
On 24 April 2017, the Company entered into a Convertible Note agreement with WestStar Precast Pte Ltd, an entity associated with Director, Mr Lay Ann Ong in satisfaction of the outstanding loan amount. During the current year, the Convertible Notes lapsed unexercised and as a result, the borrowing amount has reverted back to the original underlying debt amount of $232,011 with a payment plan to be agreed.

In addition, as at 30 June 2019, the amount outstanding from the Company to WestStar Precast Pte Ltd was $254,669.

This Directors' report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors.

**Bert Mondello**
**Director**
Perth, Western Australia
30 September 2019

Criterion Audit Pty Ltd

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SUBIACO WA 6008

Phone: 6380 2555 Fax: 9381 1122

To The Board of Directors

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

As lead audit director for the audit of the financial statements of WestStar Industrial Limited and Controlled Entities for the financial year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Yours faithfully

**CHRIS WATTS** CA
**Director**

**CRITERION AUDIT PTY LTD**

DATED at PERTH this 30th day of September 2019

 

## Consolidated Statement of Profit or Loss and other Comprehensive Income for the year ended 30 June 2019

| | Note | 30 June 2019 $ | 30 June 2018 $ |
|---|---|---|---|
| Revenue | 4 | 28,549,076 | 9,096,182 |
| Other income | 4 | 60,533 | 18,394 |
| | | 28,609,609 | 9,114,576 |
| Expenses: | | | |
| Cost of goods sold | | (22,390,778) | (7,884,325) |
| Occupancy expenses | | (606,088) | (627,044) |
| Administration expenses | 5 | (4,230,540) | (2,520,688) |
| Depreciation | | (157,867) | (147,950) |
| Recognition / (Impairment) of intangibles | 6 | 992,198 | (992,198) |
| Other impairment charges | | (41,369) | - |
| Finance costs | 5 | (244,798) | (10,096) |
| Doubtful debts expense | | (642,012) | - |
| Share based payments expense | 23 | (304,068) | - |
| **Expenses** | | **(27,625,322)** | **(12,182,301)** |
| **Profit / (loss) before income tax** | | **984,287** | **(3,067,725)** |
| Income tax expense | 7 | - | - |
| **Profit / (loss) after income tax** | | **984,287** | **(3,067,725)** |
| **Other Comprehensive Income** | | | |
| *Items that may be reclassified to profit or loss* | | - | - |
| **Other comprehensive loss, net of tax** | | - | - |
| **Total comprehensive income / (loss)** | | **984,287** | **(3,067,725)** |
| **Earnings / (loss) per share** | | | |
| Earnings / (Loss) per share for the year attributable to the members of WestStar Industrial Limited (cents per share) | 24 | 0.002 | (0.008) |

The above Consolidated Statement of Profit or Loss and other Comprehensive Income should be read in conjunction with the accompanying notes.

## Consolidated Statement of Financial Position as at 30 June 2019

| | Note | 30 June 2019 $ | 30 June 2018 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 8 | 10,068,300 | 1,711,826 |
| Trade and other receivables | 9 | 6,081,759 | 1,992,484 |
| Stock on hand | | 15,933 | - |
| Other assets | 10 | 5,835,136 | 306,673 |
| **Total Current Assets** | | **22,001,129** | **4,010,983** |
| **Non-Current Assets** | | | |
| Investments | 11 | 151,380 | 148,323 |
| Bank guarantees | | 243,933 | 155,362 |
| Property, plant & equipment | 12 | 353,914 | 435,033 |
| Loans receivable | 13 | 780,524 | 750,000 |
| Intangible Assets | 6 | 992,198 | - |
| **Total Non-Current Assets** | | **2,521,949** | **1,488,718** |
| **Total Assets** | | **24,523,078** | **5,499,701** |
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | 14 | 10,985,353 | 4,597,801 |
| Provisions | 15 | 273,716 | 156,408 |
| Borrowings | 16 | 882,011 | 785,461 |
| Other liabilities | 10 | 9,650,651 | 416,419 |
| **Total Current Liabilities** | | **21,791,731** | **5,956,089** |
| **Total Non-Current Liabilities** | | **-** | **-** |
| **Total Liabilities** | | **21,791,731** | **5,956,089** |
| **Net Assets / (Liabilities)** | | **2,731,347** | **(456,388)** |
| **EQUITY** | | | |
| Issued capital | 21 | 13,004,376 | 10,162,478 |
| Reserves | 22 | 484,805 | 821,045 |
| Accumulated losses | | (10,757,834) | (11,439,911) |
| **Total Equity / (Deficiency)** | | **2,731,347** | **(456,388)** |

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

## Consolidated Statement of Cash Flows for the year ended 30 June 2019

| | Note | 30 June 2019<br>$ | 30 June 2018<br>$ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 31,571,722 | 8,313,874 |
| Payments to suppliers and employees | | (25,384,281) | (8,436,779) |
| Interest received | | 6,199 | 6,267 |
| Interest paid | | (244,798) | (18,906) |
| **Net cash flows used in operating activities** | 8 | **5,948,842** | **(135,544)** |
| | | | |
| **Cash flows from investing activities** | | | |
| Payment for bank guarantees | | (91,628) | (158,392) |
| Purchase of subsidiary, net cash acquired | | - | 79,633 |
| Purchase of property, plant & equipment | | (76,748) | (43,105) |
| **Net cash flows provided by/(used in) investing activities** | | **(168,376)** | **(121,864)** |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares | | 2,188,800 | 940,000 |
| Proceeds from borrowings | | 1,052,000 | 220,019 |
| Amounts loaned | | (42,774) | (750,000) |
| Repayment of borrowings | | (622,018) | - |
| **Net cash provided by/(used in) financing activities** | | **2,576,008** | **410,019** |
| | | | |
| **Net increase in cash and cash equivalents** | | 8,356,474 | 152,611 |
| Cash and cash equivalents at beginning of period | | 1,711,826 | 1,559,215 |
| **Cash and cash equivalents at the end of the period** | 8 | **10,068,300** | **1,711,826** |

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

## Consolidated Statement of Changes in Equity for the year ended 30 June 2019

| | Note | Issued capital $ | Accumulated losses $ | Share based payment reserve $ | Total $ |
|---|---|---|---|---|---|
| **At 1 July 2018** | | **10,162,478** | **(11,439,911)** | **821,045** | **(456,388)** |
| Change in accounting policies | 2(e) | - | (638,450) | - | (638,450) |
| Profit/(loss) for the year | | - | 984,287 | - | 984,287 |
| Other comprehensive income | | | | | |
| **Total comprehensive loss for the year** | | - | 984,287 | - | 984,287 |
| **Transactions with owners in their capacity as owners** | | | | | |
| Shares issued for the acquisition of SIMPEC Pty Ltd | | | - | - | |
| Contribution of equity net of transaction costs | 21 | 2,204,399 | - | - | 2,204,399 |
| Transfer of expired options value | 22 | - | 336,240 | (336,240) | - |
| Recognition of share-based payments | 23 | 637,499 | - | | 637,499 |
| **Transactions with owners in their capacity as owners** | | 2,841,898 | 1,320,527 | (336,240) | 3,826,185 |
| **Balance at 30 June 2019** | | **13,004,376** | **(10,757,834)** | **484,805** | **2,731,347** |

| | Note | Issued capital $ | Accumulated losses $ | Share based payment reserve $ | Total $ |
|---|---|---|---|---|---|
| **At 1 July 2017** | | **8,284,978** | **(8,372,186)** | **766,608** | **679,400** |
| Profit/(loss) for the year | | - | (3,067,725) | - | (3,067,725) |
| Other comprehensive income | | | | | |
| **Total comprehensive loss for the year** | | | (3,067,725) | | (3,067,725) |
| **Transactions with owners in their capacity as owners** | | | | | |
| Shares issued for the acquisition of SIMPEC Pty Ltd | 6 | 937,500 | - | - | 937,500 |
| Contribution of equity net of transaction costs | 21 | 940,000 | - | - | 940,000 |
| Recognition of share-based payments | 22 | - | - | 54,437 | 54,437 |
| **Transactions with owners in their capacity as owners** | | 1,877,500 | - | 54,437 | 1,931,937 |
| **Balance at 30 June 2018** | | **10,162,478** | **(11,439,911)** | **821,045** | **(456,388)** |

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

## 1. Corporate

The financial report of WestStar Industrial Limited ("the Company") and its controlled entities ("the Group" or "Consolidated Entity") for the year ended 30 June 2019 was authorised for issue in accordance with a resolution of the directors on 30 September 2019.

WestStar Industrial Limited is a for-profit company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange. The nature of the operations and principal activities of the Group, in particular the operating entity Precast Australia Pty Ltd ("Precast") are described in the Directors' Report.

## 2. Basis of Preparation and Accounting Policies

### (a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost except for available-for-sale investments which are measured at fair value. The presentation currency is Australian dollars.

*Going concern*
This report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

The Group posted a net profit after tax for the year ended 30 June 2019 of $984,287 (2018: loss of 3,067,725) and net operating cash inflows of $5,948,842 (2018: outflows of $135,544). The Group achieved total net cash inflows of $8,356,474 (2018: inflows of $152,611) from increased turnover, improved profitability and market conditions. The Group had cash of $10,068,300 (2018: $1,711,826) and a working capital surplus of $209,398 as at 30 June 2019 (2018: deficit of $1,945,106).

The financial report does not contain any adjustments relating to the recoverability and classification of recorded assets or to the amounts or classification of recorded assets or liabilities that might be necessary should the Group not be able to continue as a going concern. The directors have reviewed the Group's financial position and are of the opinion that the use of the going concern basis of accounting is appropriate.

### (b) Compliance Statement

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

### (c) Basis of Consolidation

The consolidated financial statements comprise the financial statements of WestStar Industrial Limited ('the Company') and its subsidiaries as at 30 June each year ('the Group').

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the profit or loss from the date the Group gains control until the date the Group ceases to control the subsidiary.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-company transactions have been eliminated in full.

### (d) Parent Information

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

### (e) New, revised or amending Accounting Standards or Interpretations adopted

The following Accounting Standards or Interpretations are most relevant to the Consolidated Entity.

AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers became mandatorily effective on 1 January 2018. Accordingly, these standards apply for the first time to this set of financial statements. The nature and effect of changes arising from these standards are summarised in the section below. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

*AASB 9 Financial Instruments*
There were financial assets/liabilities which the Group had previously designated as fair value through profit or loss under AASB 139: Financial Instruments: Recognition and Measurement that were subject to reclassification or elected reclassification upon the application of AASB 9. There were no financial assets/liabilities which the Group has elected to designate as at fair value through profit or loss at the date of initial application of AASB 9. The Group applied AASB 9 and the related consequential amendments to other Standards. New requirements were introduced for the classification and measurement of financial assets and financial liabilities, as well as for impairment. When an equity investment at fair value through other comprehensive income realises a gain or loss previously recognised in other comprehensive income it is not reclassified to profit or loss. As per AASB 9, an expected credit loss model is applied and not an incurred credit loss model as per AASB 139. To reflect changes in credit risk, this expected credit loss model requires the group to account for expected credit loss since initial recognition. A simplified approach is followed in relation to trade receivables, as the loss allowance is measured at lifetime expected credit loss as disclosed in Note 27 to the financial statements.

Based on the directors' assessment, the adoption of AASB 9 did not result in a material change to the financial statements in current and the prior period and there were no adjustments to opening balances required from the application of the accounting standards.

*AASB 15 Revenue from Contracts with Customers*
The Group has adopted AASB 15 from 1 July 2018. AASB 15 replaces AASB 118 Revenue and several revenue-related Interpretations. This standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price.

*Change in Accounting Policy and Impact of Adoption*
AASB 15 has been applied using the modified retrospective approach. This has resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. Under this method, the cumulative effect of initial application is recognised as an adjustment to the opening balance of accumulated losses at 1 July 2018 and comparatives are not restated. Upon adoption of AASB 15, the Group recognised an accrual for discounts and rebates on the statement of financial position and reflected the corresponding adjustment in revenue, with the net effect being adjusted in accumulated losses. The following table shows the adjustments recognised for each individual line item in the Financial Statements. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

*Change in Accounting Policy and Impact of Adoption (continued)*

**Consolidated statement of Financial Position**
The total impact on the Group's statement of Financial Position as at 1 July 2018:

| As at | 30 June 2018 Reported | AASB 15 adjustment | 1 July 2018 Restated |
|---|---|---|---|
| **Current Assets** | | | |
| Other assets | 306,673 | 2,414,188 | 2,720,861 |
| **Total assets** | **5,499,701** | **2,414,188** | **7,913,890** |
| **Current Liabilities** | | | |
| Other liabilities | 416,419 | 3,052,638 | 3,469,057 |
| **Total Liabilities** | **5,956,089** | **3,052,638** | **9,008,727** |
| **Equity** | | | |
| Accumulated losses | 11,439,911 | 638,450 | 12,078,361 |
| **Total Equity** | **(456,388)** | **(638,450)** | **(1,094,838)** |

The tables below highlight the impact of AASB 15 on the Group's statement of Profit or Loss and Other Comprehensive Income and the statement of Financial Position for the year ending 30 June 2019. The adoption of AASB 15 did not have any impact on the Group's statement of cash flows.

**Consolidated statement of Profit or Loss and Other Comprehensive Income**
The total impact on the Group's statement of Profit or Loss and Other Comprehensive Income for the reporting period:

| As at | Amounts under AASB 118 | AASB 15 adjustment | Amounts under AASB 15 |
|---|---|---|---|
| **Revenue** | 30,401,288 | (1,852,212) | 28,549,076 |
| **Total Revenue** | **30,461,821** | **(1,852,212)** | **28,609,609** |
| **Expenses** | | | |
| Cost of goods sold | 25,505,055 | (3,114,277) | 22,390,778 |
| **Total Expenses** | **30,739,599** | **(3,114,277)** | **27,625,322** |
| **Profit / (Loss) before tax** | **(277,778)** | **1,262,065** | **984,287** |

**Consolidated statement of Financial Position**
The total impact on the Group's statement of Financial Position for the reporting period:

| As at | Amounts under AASB 118 | AASB 15 adjustment | Amounts under AASB 15 |
|---|---|---|---|
| **Current Assets** | | | |
| Other assets | 601,829 | 5,233,307 | 5,835,136 |
| **Total Current Assets** | **16,767,822** | **5,233,307** | **22,001,129** |
| **Current Liabilities** | | | |
| Other liabilities | 5,021,171 | 4,629,480 | 9,650,651 |
| **Total Liabilities** | **17,162,251** | **4,629,480** | **21,791,731** |
| **Equity** | | | |
| Accumulated losses | 11,361,661 | (603,826) | 10,757,834 |
| **Total Equity** | **2,127,520** | **603,827** | **2,731,347** |

Other than the above, there is no material impact of the new and revised Standards and Interpretations on the Company and therefore no material change is necessary to Company accounting policies.

**(f) New accounting standards and interpretations issued not yet effective**

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 2019. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

*AASB 16 Leases*
This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred.

A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117.

However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the group.

**(g) Foreign Currency Translation**

*(i) Functional and presentation currency*
Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional and presentation currency of WestStar Industrial Limited is Australian dollars.

*(ii) Transactions and balances*
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit of loss.

*(iii) Group entities*
On consolidation, the assets and liabilities of foreign operations are translated into dollars at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income.

On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

**(h) Plant and Equipment**

Each class of plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Repairs and maintenance expenditure is charged to the profit of loss during the financial period in which it is incurred.

*Depreciation*
The depreciable amount of all fixed assets is depreciated on a straight line basis over their useful lives to the Company commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

| *Class of Fixed Asset* | *Depreciation Rate* |
|---|---|
| Plant and equipment | 15-30 % |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

*Derecognition*
Plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in the profit of loss.

**(i) Impairment of non financial assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, it makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets of the Group and the asset's value in use cannot be estimated to be close to its fair value.

In such cases the asset is tested for impairment as part of the cash generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognised in the profit of loss.
An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

**(j) Trade and Other Receivables**

Trade receivables, which generally have 30 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

Assessments of the collectability of trade receivables, including contract retentions are made on an ongoing basis. An allowance account for impaired trade receivables is made when there is objective evidence that the Group will not be able to collect the amounts owed according to the original terms. When a trade receivable is deemed uncollectible for which an impairment allowance has been recognised, it is written off against the allowance account.

Intercompany loans are impaired based on the ability of the subsidiaries to generate future cash flows to repay the loans. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified

**(k) Cash and Cash Equivalents**

Cash and cash equivalents in the statement of financial position include cash on hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown as current liabilities in the statement of financial position. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as described above and bank overdrafts.

**(l) Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money, and where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

**(m) Trade and other payables**

Liabilities for trade creditors and other amounts are initially measured at fair value of the consideration to be paid in the future for goods and services received that are unpaid, whether or not billed to the Group and subsequently measured at amortised cost using the effective interest rate method.

**(n) Income Tax**

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary difference and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.
Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.
Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of 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 profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

WestStar Industrial Limited (the 'head entity') and its wholly-owned subsidiaries currently account for their own current and deferred tax amounts. The Company intends to form a tax consolidated group which will incorporate all entities in the Group. The tax disclosures in this report are prepared on a consolidated basis.

**(o) Issued Capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**(p) Revenue**

*Revenue Recognition*
Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

*Sale of goods*
Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

*Rendering of services*
Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

*Interest income*
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

*Other revenue*
Other revenue is recognised when it is received or when the right to receive payment is established.

*Contract assets*
Contract assets are recognised when the consolidated entity has transferred goods or services to the customer but where the consolidated entity is yet to establish an unconditional right to consideration. Contract assets are treated as financial assets for impairment purposes.

*Contract liabilities*
Contract liabilities represent the consolidated entity's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the consolidated entity recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the consolidated entity has transferred the goods or services to the customer.

**(q) Segment Reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of WestStar Industrial Limited.

**(r) Earnings per share**

*Basic earnings per share*
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than dividends, by the weighted average number of ordinary shares, adjusted for any bonus elements.

*Diluted earnings per share*
Diluted earnings per share is calculated as net profit attributable to members of the Company, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus elements.

**(s) Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST. The net amount of GST recoverable from, or payable to, the Australian Tax Office is included as part of receivables or payables in the statement of financial position.

Cash flows are presented in the cash flow statement on a gross basis and the GST component of investing and financing activities, which is receivable from or payable to the ATO, are disclosed as operating cash flows.

**(t) Inventories**

Inventories are measured at the lower of cost and net realisable value on weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**(u) Investment in Associates**

Associates are companies in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Investments in associates are accounted for in the financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate company. In addition, the Group's share of the profit or loss of the associate company is included in the Group's profit or loss.

The carrying amount of the investment includes goodwill relating to the associate. Any discount on acquisition whereby the Group's share of the net fair value of the associate exceeds the cost of investment is recognised in profit or loss in the period in which the investment is acquired.

Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the Group will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised. Details of the Group's investments in associates are provided in notes.

**(v) Financial Assets**

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the Company commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in AASB 15.63.

***Classification and subsequent measurement***

Financial assets recognised by the Company are subsequently measured in their entirety at either amortised cost or fair value, subject to their classification and whether the Company irrevocably designates the financial asset on initial recognition at fair value through other comprehensive income (FVtOCI) in accordance with the relevant criteria in AASB 9.

Financial liabilities classified as held-for-trading, contingent consideration payable by the Company for the acquisition of a business, and financial liabilities designated at fair value through profit and loss (FVtPL), are subsequently measured at fair value.

All other financial liabilities recognised by the Company are subsequently measured at amortised cost.

***Initial recognition and measurement***

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value adjusted for transaction costs, except where the instrument is classified as fair value through profit or loss, in which case transaction costs are immediately recognised as expenses in profit or loss.

***Trade and other receivables***

Trade and other receivables arise from the Group's transactions with its customers and are normally settled within 30 days.

Consistent with both the company's business model for managing the financial assets and the contractual cash flow characteristics of the assets, trade and other receivables are subsequently measured at amortised cost.

***Impairment***

The Company recognises a loss allowance for expected credit losses on:

- financial assets that are measured at amortised cost or fair value through other comprehensive income;
- contract assets (eg amounts due from customers under construction contracts);
- loan commitments that are not measured at fair value through profit or loss; and
- financial guarantee contracts that are not measured at fair value through profit or loss.

Loss allowance is not recognised for:

- financial assets measured at fair value through profit or loss; or
- equity instruments measured at fair value through other comprehensive income.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

The Company uses the following approach to impairment, as applicable under AASB 9: *Financial Instruments*:

- - the simplified approach

**(v) Financial Assets (continued)**

*Simplified approach*
The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times. This approach is applicable to:

- - trade receivables or contract assets that result from transactions within the scope of AASB 15: *Revenue from Contracts with Customers* and which do not contain a significant financing component

In measuring the expected credit loss, a provision matrix for trade receivables is used taking into consideration various data to get to an expected credit loss (ie diversity of customer base, appropriate groupings of historical loss experience, etc).

***Recognition of expected credit losses in financial statements***
At each reporting date, the Company recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income. The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

**(w) Share based payment transactions**

The Group provides benefits to individuals acting as, and providing services similar to employees (including Directors) of the Group in the form of share based payment transactions, whereby individuals render services in exchange for shares or rights over shares ('equity settled transactions').

The cost of these equity settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using the Black Scholes formula taking into account the terms and conditions upon which the instruments were granted.

In valuing equity settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of WestStar Industrial Limited ('market conditions'). The cost of the equity settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the Directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of the market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The charge or credit for a period represents the movement in cumulative expense recognised at the beginning and end of the period. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of the modification.

Where an equity settled award is cancelled, it is treated as if it had vested on the date of the cancellation, and any expense not yet recognised for the award is recognised immediately. However if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were
a modification of the original award, as described in the previous paragraph.

The cost of equity-settled transactions with non-employees is measured by reference to the fair value of goods and services received unless this cannot be measured reliably, in which case the cost is measured by reference to the fair value of the equity instruments granted. The dilutive effect, if any, of outstanding options is reflected in the computation of loss per share.

**(x) Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.
*Share based payment transactions*
The Group measures the cost of equity settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black Scholes formula taking into account the terms and conditions upon which the instruments were granted.

*Impairment assessment of intangibles*
The Group tests annually whether its intangible assets have suffered any impairment. The recoverable amount of cash generating units (CGUs) have been determined based on value-in-use calculations. These calculations require the use of assumptions for each CGU. The determination of impairment involves the use of judgements and estimates that include, but are not limited to, the cause, timing and measurement of the impairment.

Management is required to make significant judgements concerning future cash flows, including changes in competitive positions, expectations of growth cost of capital and the determination of fair values when assessing the recoverable amounts of assets (or groups of assets). Inputs into these valuations require assumptions and estimates to be made about forecast earnings before interest and tax and related future cash flows, growth rates, applicable discount rates, useful lives and residual values.

The judgements, estimates and assumptions used in assessing impairment are management's best estimates based on current and forecast market conditions. Changes in economic and operating conditions impacting these assumptions could result in changes in the recognitions of impairment changes in future periods.

**(x) Critical accounting estimates and judgements (continued)**

Additionally, management has identified the following critical accounting policies for which significant judgments, estimates and assumptions are made:

- trade and other receivables, refer note 2 (m);
- recovery of deferred taxes, refer note 2 (n); and
- revenue recognition, refer note 2 (p).

Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

**(y) Non-current assets (or disposal Groups) held for sale**

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal Group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales for such asset (or disposal Groups) and the sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a complete sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary, after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate
or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate or joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing significant influence over the associate or joint venture.

After the disposal takes place, the Group accounts for any retained interest in the associate or joint venture in accordance with AASB 139 unless the retained interest continues to be an associate or a joint venture, in which case the Group uses the equity method.

Non-current assets (and disposal Groups) are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell.

**(z) Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

The fair value of the liability portion of a convertible note is determined using a market interest rate for an equivalent nonconvertible note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the note. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

**(aa) Parent entity financial information**

The financial information for the parent entity, WestStar Industrial Limited, disclosed in Note 19 has been prepared on the same basis as the consolidated financial statements, except as set out below.

*Investments in subsidiaries, associates and joint venture entities*
Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the parent entity's financial statements. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

*Share-based payments*
The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

## 3. Segment Information

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

- Precast Australia, which provides prefabricated concrete construction services to the construction and resources sectors in Australia;
- SIMPEC, a construction contractor with specialist experience in both Structural Mechanical and Piping, Electrical and Instrumentation works; and
- Distinct Development, which addresses small to mid-size mixed-use property projects, a niche in the local market.

| Segment reporting | Precast $ | SIMPEC $ | Distinct $ | Group $ |
|---|---|---|---|---|
| **Year ended 30 June 2019** | | | | |
| Segment revenue | 4,147,594 | 24,401,482 | 41,369 | 28,590,445 |
| Segment expense | (5,608,489) | (21,472,162) | (43,068) | (27,123,719) |
| **Segment operating profit (loss)** | **(1,460,895)** | **2,929,320** | **(1,699)** | **1,466,726** |
| Other Income | | | | 352,595 |
| Corporate & administration | | | | (835,034) |
| **Net operating Profit (Loss) after Tax** | | | | **984,287** |
| **Year ended 30 June 2018** | | | | |
| Segment revenue | 5,846,341 | 3,249,841 | - | 9,096,182 |
| Segment expense | (6,941,818) | (4,434,593) | (21,024) | (11,397,435) |
| **Segment operating loss** | **(1,095,477)** | **(1,184,752)** | **(21,024)** | **(2,301,253)** |
| Other Income | | | | 18,394 |
| Corporate & administration | | | | (636,916) |
| Depreciation & administration | | | | (147,950) |
| **Profit/ (Loss) before Tax** | | | | **(3,067,725)** |
| **Year ended 30 June 2019** | | | | |
| Segment assets | 2,588,418 | 15,659,884 | 752,872 | 19,001,174 |
| Segment liabilities | (2,812,594) | (17,633,049) | - | (20,445,643) |
| **Segment asset & liabilities** | **(224,176)** | **(1,973,165)** | **752,872** | **(1,444,469)** |
| Cash and corporate assets | | | | 5,521,904 |
| Corporate liabilities | | | | (1,346,088) |
| **Total asset & liabilities** | | | | **2,731,347** |
| **Year ended 30 June 2018** | | | | |
| Segment assets | 2,513,064 | 1,762,966 | 752,203 | 5,028,233 |
| Segment liabilities | (2,390,871) | (2,321,685) | (23,124) | (4,735,680) |
| **Segment asset & liabilities** | **122,193** | **(558,719)** | **729,079** | **292,553** |
| Cash and corporate assets | | | | 55,050 |
| Corporate liabilities | | | | (803,991) |
| **Total asset & liabilities** | | | | **(456,388)** |

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

## 4. Revenue and Other Income

| | 2019 $ | 2018 $ |
|---|---|---|
| **Revenue** | | |
| Sale of goods | 28,549,076 | 9,096,182 |
| | 28,549,076 | 9,092,182 |
| **Other Income** | | |
| Interest Income | 50,667 | 6,267 |
| Sundry Income | 9,866 | 12,127 |
| | **60,533** | **18,394** |

## 5. Expenses

| | 2019 $ | 2018 $ |
|---|---|---|
| Administrative expenses | | |
| - Employee wages and salaries | 2,559,135 | 1,301,759 |
| - Professional services and consultant fees | 782,996 | 680,442 |
| - Insurance | 313,110 | 89,336 |
| - Motor vehicle costs | 163,204 | 91,510 |
| - ASX and Share registry fees | 67,751 | 32,951 |
| - General administrative costs | 344,344 | 324,690 |
| | **4,230,540** | **2,520,688** |

### 5. Expenses (continued)

| | | |
|---|---|---|
| Finance costs | | |
| - Interest and associated borrowing costs to unrelated third parties | 244,798 | 10,096 |
| | **244,798** | **10,096** |

### 6. Acquisition of SIMPEC Pty Ltd

On 29 December 2017, WestStar Industrial Limited acquired 100% of the ordinary share capital and voting rights in SIMPEC Pty Ltd.

(a) Acquisition Consideration

The consideration for the acquisition comprised the issue to SIMPEC's shareholders of:

- 37.5 million fully paid ordinary shares on completion
- 37.5 million service based performance securities
- up to 25 million shares to be issued on the achievement of $500,000 of earnings before interest, taxation, depreciation and amortisation (EBITDA) within 18 calendar months of the Transaction completion date.

(b) Fair value of consideration transferred

Under the principles of AASB 3, the assets and liabilities of SIMPEC Pty Ltd are measured at fair value on the date of acquisition.

(c) Goodwill

Goodwill is calculated as the difference between the fair value of consideration transferred less the fair value of the identified net assets of SIMPEC Pty Ltd. Details of the transaction are as follows:

| | **Fair Value $** |
|---|---|
| *Consideration* | |
| 37.5 million fully paid ordinary shares on completion | 937,500 |
| 37.5 million service based performance securities | - |
| 25 million shares issued on the achievement of target EBITDA | - |
| Total consideration | 937,500 |
| | |
| Fair value of assets and liabilities held at acquisition date: | |
| Cash | 79,633 |
| Trade and other receivables | 960,703 |
| Plant and equipment | 5,925 |
| Trade and other payables | (179,431) |
| Provisions | (71,073) |
| Unearned Income | (850,455) |
| Fair value of identifiable assets and liabilities assumed | (54,698) |
| Goodwill – provisional | 992,198 |
| Less impairment of goodwill (recognised in prior period) | (992,198) |
| | - |

(d) Impairment assessment

If the initial accounting for a business acquisition is incomplete by the end of the reporting period in which the combination occurs, the consolidated entity reports provisional amounts for the items for which accounting is incomplete. The provisional amounts are adjusted during the measurement period on a retrospective basis by restating the comparative information presented in the financial statements. In December 2018, the Company reassessed the intangible asset value of SIMPEC as significantly above its carrying value and accordingly an impairment reversal to the value of $992,198 was recognised.

## 7. Income Tax

### (a) Income tax expense

| | 2019 $ | 2018 $ |
|---|---|---|
| **Major component of tax expense for the year** | | |
| Current tax | - | - |
| Deferred tax | - | - |
| | - | - |

### (b) Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and tax expense calculated per the statutory income tax rate

A reconciliation between tax expense and the product of accounting loss before income tax multiplied by the Company's applicable tax rate is as follows:

| | 2019 $ | 2018 $ |
|---|---|---|
| Profit / (Loss) from continuing operations before income tax expense | 984,287 | (3,067,725) |
| Tax at the group rate of 27.5% (2018: 27.5%) | 270,679 | (843,624) |
| Other non-deductible expenses | 186,199 | 113,816 |
| Other non-assessable income | (91,694) | - |
| Net tax benefit/ (expense) not brought to account | (365,184) | 729,808 |
| Net tax benefit brought to account | - | - |
| Income tax expense | - | - |

### (c) Deferred tax

A reconciliation between tax expense and the product of accounting loss before income tax multiplied by the Company's applicable tax rate is as follows:

| | 2019 $ | 2018 $ |
|---|---|---|
| *Liabilities* | | |
| Net deferred income | 341,626 | - |
| Accrued income | - | - |
| Deferred tax liability not recognised | 341,626 | - |
| *Assets* | | |
| Losses available to offset against future taxable income | 1,209,051 | 507,194 |
| Provisions & accruals | 344,810 | 84,321 |
| Capital raising costs | 106,273 | 138,293 |
| Borrowing costs | 22,567 | - |
| Deferred tax asset not recognised | 1,682,701 | 729,808 |
| **Net deferred tax asset not recognised** | **1,341,075** | **729,808** |

The benefit for tax losses will only be obtained if:

(i) the Group derives future assessable income in Australia of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
(ii) the Group continues to comply with conditions for deductibility imposed by tax legislation in Australia; and
(iii) no changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the losses.
(iv) the opening net deferred tax asset recognised has been increased by $836,757 based on the following:

DTA on tax losses understated - $637,696
DTA on accruals & provisions understated - $77,458
DTA on capital raising costs overstated - $53,972
DTA on net capitalised costs based on AASB15 application - $175,574

## 8. Cash and Cash equivalents

| | 2019 $ | 2018 $ |
|---|---|---|
| Cash at bank and on hand | 10,068,300 | 1,711,826 |
| | **10,068,300** | **1,711,826** |

| | | |
|---|---|---|
| **Reconciliation to Consolidated Statement of Cashflows:** | | |
| Balances as above | 10,068,300 | 1,711,826 |
| Bank overdraft | - | - |
| **Balances per Statement of Cashflows** | 10,068,300 | 1,711,826 |

| **Reconciliation of loss after income tax to net cash outflow from operating activities** | 2019 $ | 2018 $ |
|---|---|---|
| Loss after income tax | 984,287 | (3,067,725) |
| **Non Cash Items** | | |
| Depreciation and amortisation expenses | 157,867 | 147,950 |
| Impairment expenses | (992,198) | 992,198 |
| Reversal of convertible note value | (333,431) | - |
| Share-based payments | 637,499 | - |
| Doubtful debts expense | 642,012 | - |
| *(Decrease) / increase in working capital* | | |
| (Increase) / decrease in receivables | (4,541,671) | (1,297,093) |
| (Increase) / decrease in other assets | (4,345,549) | 201,496 |
| Increase / (decrease) in payables | 12,663,595 | 2,826,231 |
| Increase / (decrease) in provisions | 1,076,431 | 61,399 |
| **Net cash outflow from operating activities** | 5,948,842 | (135,544) |

## 9. Trade and Other Receivables

| **Trade receivables (Current)** | 2019 $ | 2018 $ |
|---|---|---|
| Trade receivables | 5,898,577 | 1,611,820 |
| Less Allowance for doubtful debts | (636,605) | - |
| | 5,261,972 | 1,611,820 |
| Retentions | 625,461 | 368,447 |
| Other receivables | 2,100 | 2,100 |
| Prepayments | 192,226 | 10,117 |
| | **6,081,759** | **1,992,484** |

| | | |
|---|---|---|
| Aging of past due not impaired: | | |
| <30 days | 4,333,123 | 869,201 |
| 30-60 days | 808,459 | 602,602 |
| 60-90 days | - | 129,402 |
| 90+ days | 120,390 | 10,615 |
| Total | **5,261,972** | **1,611,820** |

| **Trade receivables (Non-Current)** | 2019 $ | 2018 $ |
|---|---|---|
| Retentions | - | - |
| | - | - |

## 10. Other Assets and Liabilities

The Company has adopted AASB 15 from 1 July 2018. As a result of the adoption, the Company has recognised an opening balance adjustment of $638,450. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price.

The "Contract asset" value below represents costs deferred into the next period under AASB 15.

| | 2019 | 2018 |
|---|---|---|
| **Other Assets** | **$** | **$** |
| Contract assets | 5,835,136 | - |
| Accrued income | - | 306,673 |
| | **5,835,136** | **306,673** |

The "Contract liabilities" value below represents income deferred into the next period under AASB 15.

| | 2019 | 2018 |
|---|---|---|
| **Other Liabilities** | **$** | **$** |
| Contract liabilities | 9,650,651 | - |
| Unearned income | - | 416,419 |
| | **9,650,651** | **416,419** |

## 11. Investments

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| Term deposit | 151,380 | 148,323 |
| | **151,380** | **148,323** |

## 12. Property, Plant and Equipment

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| Gross carrying value | 970,246 | 893,498 |
| Accumulated depreciation | (616,332) | (458,465) |
| Net carrying value | **353,914** | **435,033** |

| **Gross carrying value** | **Leasehold Improvements**<br>**$** | **Plant & Equipment**<br>**$** | **Total**<br>**$** |
|---|---|---|---|
| **At 1 July 2018** | 256,129 | 637,369 | 893,498 |
| Additions | - | 76,748 | 76,748 |
| Disposals | - | - | - |
| **At 30 June 2019** | 256,129 | 714,117 | 970,246 |
| | | | |
| **Accumulated depreciation** | | | |
| **At 1 July 2018** | (96,347) | (362,118) | (458,465) |
| Disposals | - | - | - |
| Depreciation | (39,945) | (117,922) | (157,867) |
| **At 30 June 2019** | (136,292) | (480,040) | (616,332) |

## 13. Loan Receivable

In the prior period, WestStar announced that Distinct Developments Pty Ltd ("Distinct") had secured a management contract (the "Contract") for the development of a commercial mixed-use building at a property (the "Property") in West Perth, Western Australia. Distinct made a working capital facility (the "Facility") of $750,000 available to the owner of the Property, 24 Prowse Street Pty Ltd (the "Owner"), for the purposes of assisting with the property settlement and other costs. The Facility was provided with an interest rate of 10% per annum payable to Distinct with a 36 months' maturity period and is secured with a mortgage over the property.

During the period, the Company was advised by the Owner that the Property has been put on the market for sale. The Company understands that the owner is testing the market and if these efforts are successful, the owner may or may not proceed with its current development plans. The Company continues to act for the owner under the Contract. Further funds were advanced during the period with the balance owing of $780,524 at year end.

## 14. Trade and Other Payables

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| Trade payables | 7,617,598 | 3,933,387 |
| Sundry creditors and accruals | 3,367,755 | 664,414 |
| | **10,985,353** | **4,597,801** |

## 15. Provisions

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| Annual Leave | 209,526 | 82,884 |
| Long Service Leave | 64,190 | 73,524 |
| | **273,716** | **156,408** |

## 16. Borrowings

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| Loan from related parties(i) | 232,011 | 565,442 |
| Financing Facility (ii) | 650,000 | - |
| Unsecured loan(iii) | - | 220,019 |
| | **882,011** | **785,461** |

(i) On 24 April 2017, the Company entered into a Convertible Note agreement with WestStar Precast Pte Ltd, an entity associated with Director, Lay Ann Ong in satisfaction of the outstanding loan amount. The comparative balance represents the value of the Convertible Notes at grant date ($565,442) with the value granted over the underlying debt amount ($333,431) recognised as an expense. During the current period, the Convertible Notes lapsed unexercised and as a result, the Company has reversed the previously recognised expense (See Note 23) and the borrowing amount has reverted back to the original underlying debt amount of $232,011.

(ii) On 12 December 2018, the Company advised that it had received commitments for an unsecured working capital facility of up to $1 million. As at year end, the facility had been drawn down to $650,000. The facility bears interest at 10% p.a.

(iii) Unsecured loan incurred interest at a rate of 10% p.a.

## 17. Related Party Disclosures

Details of the nature and amount of each element of the emolument of each Director and Executive of the Group for the financial year are as follows:

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| Short term employee benefits | 578,39 | 472,076 |
| Post-employment benefits | 48,856 | 31,167 |
| Share based payments | 318,750 | - |
| | **946,002** | **503,243** |

## 18. Related Party Transactions

The consolidated financial statements include the financial statements of the Group and the subsidiaries listed in the following table:

| Name | Country of Incorporation | Principal Activities | % Equity Interest 2019 | % Equity Interest 2018 |
|---|---|---|---|---|
| Precast Australia Pty Ltd | Australia | Prefabricated concrete | 100% | 100% |
| Icon Gold Pty Ltd | Australia | Mineral exploration | 100% | 100% |
| SIMPEC Pty Ltd | Australia | Construction contracting | 100% | 100% |
| Distinct Developments Pty Ltd | Australia | Property development | 100% | 100% |

### (a) Transactions with related parties

*Regency Corporate Pty Limited*
Regency Corporate (and its nominees), a company of which Mr Philip Re is a director, provided the Company with a fully serviced office including administration and information technology support and reimbursement of payments for financial accounting fees, corporate secretarial, bookkeeping, CFO and corporate advisory services of $269,250 (2018: $358,542) plus GST in the period.

*24 Prowse Street Pty Ltd*
On 12 June 2018, WestStar announced that Distinct Developments Pty Ltd ("Distinct") has secured a management contract (the "Contract") for the design and construction of a commercial mixed-use building (the "Project") in West Perth, Western Australia. To fast-track the development, Distinct made a working capital facility ("Facility") of $750,000 available to the owner, 24 Prowse Street Pty Ltd, for the purposes of assisting with the property settlement, design consultants, development approvals, rates and taxes. The Facility is provided with an interest rate of 10% per annum payable to Distinct with a 36 months' maturity period. Mr Mark Dimasi is a director of 24 Prowse Street Pty Ltd. During the year, a further $42,774 was advanced to 24 Prowse Street Pty Ltd by the Company.

### 18. Related Party Transactions (continued)

#### (a) Transactions with related parties (continued)

*Dimasi Family Trust*
During the year, The Dimasi Family Trust, an entity related to Mr Mark Dimasi, was paid $65,458 (2018: $23,715) in relation to provision of administrative services for the Group.

*Indomain Enterprises Pty Ltd*
Indomain Enterprises, a company of which Mr Bert Mondello is a director, provided the Company with corporate advisory services of $48,000 plus GST in the period.

*WestStar Precast Pte Ltd*
On 24 April 2017, the Company entered into a Convertible Note agreement with WestStar Precast Pte Ltd, an entity associated with Director, Lay Ann Ong in satisfaction of the outstanding loan amount. During the current year, the Convertible Notes lapsed unexercised and as a result, the borrowing amount has reverted back to the original underlying debt amount of $232,011.

#### (b) Outstanding balances with related parties

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| WestStar Precast Pte Ltd | 254,669 | 226,669 |
| Indomain Enterprises Pty Ltd | 14,300 | - |
| Regency Corporate Pty Ltd | 44,990 | 101,796 |
| | **313,959** | **328,465** |

### 19. Parent Entity Information

The following detailed information related to the parent entity, WestStar Industrial Limited, at 30 June 2019. The information presented here has been prepared using consistent accounting policies as presented in note 2.

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| Current Assets | 684,417 | 120,682 |
| Non-current Assets | 1,742,868 | - |
| **Total Assets** | 2,427,285 | 120,682 |
| | | |
| Current Liabilities | 1,470,101 | 758,433 |
| Non-current Liabilities | - | - |
| **Total Liabilities** | 1,470,101 | 758,433 |
| | | |
| Contributed equity | 32,820,844 | 30,038,944 |
| Reserves | 2,096,559 | 2,096,559 |
| Accumulated Losses | (33,960,219) | (32,773,254) |
| **Total Equity** | 957,184 | (637,751) |
| | | |
| **Total Comprehensive Profit (Loss) For The Year** | (1,186,965) | (3,306,462) |

### 20. Auditor's Remuneration

The auditor of WestStar Industrial Limited is Criterion Audit Pty Ltd.

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| **Auditor of the Company** | | |
| Auditing or reviewing the financial report | 47,000 | 34,000 |
| | 47,000 | 34,000 |

## 21. Issued Capital

### (a) Issued and paid up capital

| | 2019 $ | 2018 $ |
|---|---|---|
| Ordinary shares fully paid | 13,004,376 | 10,162,478 |

### (b) Movements in shares on issue

| | Year to 30 June 2019 No. | Year to 30 June 2019 $ |
|---|---|---|
| *Movements in ordinary shares on issue* | | |
| Opening balance | 458,254,616 | 10,162,478 |
| Details of the Company shares issued during the period: | | |
| Rights conversion for acquisition of SIMPEC (Note 23) | 37,500,000 | 637,499 |
| Placement to sophisticated investors (i) | 120,000,000 | 2,204,399 |
| | 157,500,000 | 2,841,898 |
| Closing balance | 615,754,616 | 13,004,376 |

(i) On 17 April 2019, 120,000,000 shares were issued to sophisticated and professional investors at a price of $0.02 per share.

| | Year to 30 June 2018 No. | Year to 30 June 2018 $ |
|---|---|---|
| *Movements in ordinary shares on issue* | | |
| Opening balance | 354,087,949 | 8,284,978 |
| Details of the Company shares issued during the period: | | |
| Shares issued for acquisition of SIMPEC (Note 6) | 37,500,000 | 937,500 |
| Placement to sophisticated investors (ii) | 66,666,667 | 940,000 |
| | 104,166,667 | 1,877,500 |
| Closing balance | 458,254,616 | 10,162,478 |

(ii) On 12 June 2018, the Company announced that it had closed an oversubscribed placement to sophisticated and professional investors of 66,666,667 fully paid ordinary shares at a price of $0.015 per share. For every two (2) shares issued under the Placement, subscribers received one (1) free attaching listed option.

### (c) Share options

There are 20,000,000 unlisted options on issue at balance date, with an exercise price of $0.10 and an expiry three years from issue date exercisable by 6 July 2019. Subsequent to year end, the Company advised that these options had lapsed.

During the period, 191,833,333 listed options expired out of the money. The value recognised for options issued in this expired class was transferred to accumulated losses ($336,240)

### (d) Performance shares

80,000,000 unlisted performance shares lapsed during the period.

## 22. Reserves

The share based payment reserve is used to record the value of share based payments provided to directors and employees, including Key Management Personnel and suppliers which are not recorded directly in equity.

| | 2019 $ | 2018 $ |
|---|---|---|
| Share based payments reserve | 484,805 | 821,045 |
| | 484,805 | **821,045** |

| | | |
|---|---|---|
| **Movement in reserves** | | |
| *Share based payments reserve* | | |
| Opening balance | 821,045 | 766,608 |
| Recognition of share-based payments (i) | - | 54,437 |
| Transfer of expired options value (Note 21 (c)) | (336,240) | - |
| | **484,805** | **821,045** |

(i) In the prior period 3,500,000 options were issued to consultants in return for services. The value of the options was determined based on the Black Scholes model using the following assumptions: 1. Dividend yield % nil; 2. Expected volatility 163%; 3. Risk free interest rate 2.44%; 4. Expected life of options (years) 0.93; 5. Exercise price $0.02; 6. Grant date share price $0.025; and 7. Fair value per option $0.0156.

### 23. Share Based Payments

During the year, the following share based payments were made and recognised in equity and the share based payments reserve.

| | 2019 $ | 2018 $ |
|---|---|---|
| Grant of shares on conversion of performance rights (i) | 637,499 | - |
| Lapse of Convertible Note Obligation (ii) | (333,431) | - |
| | 304,068 | - |

(i) On 2 August 2018, the Company announced that the 37,500,000 service-based performance rights issued as part of the SIMPEC consideration had vested and as a result were converted to 37,500,000 fully paid ordinary shares. The vesting of these securities is recognised as a share-based payment expense of $637,499 being the value of the granted shares at the date of the grant. Half of these securities were granted to KMP Mr Mark Dimasi ($318,750).

(ii) Represents the reversal of an expense recognised by the Company on the grant of convertible notes. The convertible notes lapsed unexercised during the period (Refer note 16).

### 24. Reconciliation of Earnings / (Loss) Used in Calculating Earnings / (Loss) Per Share

| | 2019 $ | 2018 $ |
|---|---|---|
| Earnings / (Loss) attributable to owners of the Company | 984,287 | (3,067,725) |
| | **Number of Shares** | **Number of Shares** |
| Weighted average number of ordinary shares for the purposes of basic Earnings / (loss) per share | 516,853,517 | 375,859,927 |

Of the Company's options on issue, there were no in-the-money options as at 30 June 2019. Therefore no options have been included in the calculation of diluted earnings per share.

### 25. Contingent Liabilities & Commitments

Operating lease commitments
Non-cancellable operating lease contracted for but not capitalised in the financial statements and are payable:

| | 2019 $ | 2018 $ |
|---|---|---|
| Within one year | 185,795 | 445,908 |
| After one year but not more than five years | - | 185,795 |
| | **185,795** | **631,703** |

### 26. Investment in an Associate

The Group holds a 25% interest in Olympic Domain Pty Ltd ("Olympic Domain"). Olympic Domain was the holder of mining tenements in the prospective Olympic Domain district of South Australia. Olympic Domain's tenements are currently the subject of a farm-in joint venture with Cohiba Minerals Limited (ASX:CHK).

### 27. Financial Risk Management

Exposure to interest rate, liquidity and credit risk arises in the normal course of the Group's business. The Group does not hold or issue derivative financial instruments. The Group uses different methods as discussed below to manage risks that arise from these financial instruments. The objective is to support the delivery of the financial targets while protecting future financial security.

The Group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to and from subsidiaries, bills, leases, preference shares and derivatives. The totals for each category of financial instruments, measured in accordance with AASB 9: Financial Instruments as detailed in the accounting policies to these financial statements, are as follows:

| | 2019 $ | 2018 $ |
|---|---|---|
| **Financial assets – Current** | | |
| Cash and cash equivalents | 10,068,300 | 1,711,826 |
| Trade and other receivables | 5,889,533 | 1,982,368 |
| Other assets | 5,835,136 | 306,673 |
| | 21,792,969 | 4,000,867 |

**27. Financial Risk Management (continued)**

| | 2019 $ | 2018 $ |
|---|---|---|
| **Financial assets – Non-Current** | | |
| Investments | 151,380 | 148,323 |
| | 151,380 | 148,323 |

| | 2019 $ | 2018 $ |
|---|---|---|
| **Financial liabilities – Current** | | |
| Trade and other payables | 10,985,353 | 4,597,801 |
| Borrowings | 882,011 | 785,461 |
| Other liabilities | 9,650,651 | 416,419 |
| | 21,518,015 | 5,799,681 |

**(a) Liquidity Risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group manages liquidity risk by maintaining sufficient cash facilities to meet the operating requirements of the business and investing excess funds in highly liquid short term investments. The responsibility for liquidity risk management rests with the Board of Directors. Alternatives for sourcing future capital needs include the issue of equity instruments. These alternatives are evaluated to determine the optimal mix of capital resources for the Group's capital needs. We expect that, absent a material adverse change in a combination of the Group's sources of liquidity, present levels of liquidity along with future capital raising will be adequate to meet the Group's expected capital needs.

*Maturity analysis for financial liabilities*

Financial liabilities of the Group comprise trade and other payables and short term borrowings. The following table discloses the contractual maturity analysis at the reporting date:

| 2019 | Up to 6 months $ | 6 months to 1 year $ | Over 1 to 5 years $ | More than 5 years $ | Total $ |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Cash and cash equivalents | 10,068,300 | - | - | - | 10,068,300 |
| Trade and other receivables | 5,889,533 | - | - | - | 5,889,533 |
| Investments | - | 151,380 | - | - | 151,380 |
| Other assets | 5,835,136 | - | - | - | 5,835,136 |
| | 21,792,969 | 151,380 | - | - | 21,944,349 |
| **Financial liabilities** | | | | | |
| Trade and other payables | 10,985,353 | - | - | - | 10,985,353 |
| Borrowings | 882,011 | - | - | - | 882,011 |
| Other liabilities | 9,650,651 | - | - | - | 9,650,651 |
| | 21,518,015 | - | - | - | 21,518,015 |

| 2018 | Up to 6 months $ | 6 months to 1 year $ | Over 1 to 5 years $ | More than 5 years $ | Total $ |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Cash and cash equivalents | 1,711,826 | - | - | - | 1,711,826 |
| Trade and other receivables | 1,982,368 | - | - | - | 1,982,368 |
| Investments | - | 148,323 | - | - | 148,323 |
| Accrued income | 306,673 | - | - | - | 306,673 |
| | 4,000,867 | 148,323 | - | - | 4,149,190 |
| **Financial liabilities** | | | | | |
| Trade and other payables | 4,597,801 | - | - | - | 4,597,801 |
| Borrowings | 220,019 | 565,442 | - | - | 785,461 |
| Other liabilities | 416,419 | - | - | - | 416,419 |
| | 5,234,239 | 565,442 | - | - | 5,799,681 |

**(b) Interest Rate Risk**

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. There is no material interest rate risk.

**(c) Credit Risk Exposures**

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligations resulting in the Group incurring a financial loss. This usually occurs when debtors or counterparties to derivative contracts fail to settle their obligations owing to the Group.

There is no concentration of credit risk with respect to current and non-current receivables as the Group has a number of large customers which are Australian listed as well as internationally dispersed. Group policy is that sales are only made to customers that are credit worthy. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The carrying amount of financial assets recognised in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk. The Group holds financial instruments with credit worthy third parties.

**27. Financial Risk Management (continued)**

**(d) Carrying Value of Financial Instruments**

At 30 June 2019, the carrying value of all financial assets and liabilities is considered to approximate their fair values. The held for trading assets are recognised at fair value and have been classified as level 1 financial assets based on quoted prices in active markets. There were no transfers between levels during the year.

## 28. Company details

The registered office of the business is:

Suite 1, 437 Roberts Road, Subiaco WA 6008

The principal place of business is:

4 Beach Street, Kwinana Beach, WA 6171

## 29. Events after Reporting Date

There were no other matters or circumstances arising since the end of the reporting period that have significantly affected, or may significantly affect the operations of the Company and the results of those operations or the state of the affairs of the Company in the financial period subsequent to 30 June 2019.

# DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of WestStar Industrial Limited, I state that:

1. In the Directors' opinion, the financial statements and accompanying notes set out on pages 12 to 35 are in accordance with the Corporations Act 2001 and:

   a. comply with Accounting Standards and the Corporations Regulations 2001; and

   b. give a true and fair view of the group's financial position as at 30 June 2019 and of its performance for the year ended on that date;

2. Note 2 confirms that the financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);

3. In the Directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

4. The remuneration disclosures included in pages 7 to 10 of the directors' report (as part of the audited Remuneration Report), for the year ended 30 June 2019, comply with section 300A of the Corporations Act 2001; and

5. The Directors have been given the declarations by the Chief Executive Officer (or equivalent) and Chief Financial Officer required by section 295A of the Corporations Act 2001.

On behalf of the Board

**Bert Mondello**
**Director**
Perth, Western Australia
30 September 2019

CRITERION AUDIT

Criterion Audit Pty Ltd

ABN 85 165 181 822

PO Box 2138 SUBIACO WA 6904

Suite 1 GF, 437 Roberts Road
SUBIACO WA 6008

Phone: 6380 2555 Fax: 9381 1122

# Independent Auditor's Report

## To the Members of WestStar Industrial Limited

### Report on the Audit of the Financial Report

### Opinion

We have audited the accompanying financial report of WestStar Industrial Limited ("the Company") and Controlled Entitites ("the Consolidated Entity") , which comprises the consolidated statement of financial position as at 30 June 2019, and 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 a summary of significant accounting policies, and the directors' declaration.

In our opinion:

a. the accompanying financial report of the Consolidated Entity is in accordance with the Corporations Act 2001, including:

   i. giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2019 and of its financial performance for the year then ended; and

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

b. The financial report also complies with International Financial Reporting Standards as disclosed in Note 2(b).

### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. 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 Consolidated Entity 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* (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 |
|---|---|
| **Accounting for Business Combination**<br><br>The acquisition of SIMPEC Pty Ltd as disclosed in Note 6 of the consolidated financial statements is a key audit matter due to the size of the acquisition (purchase consideration of $937,500) and complexities inherent in a business acquisition.<br><br>Management completed a process to allocate the purchase consideration to tangible assets, goodwill and separately identifiable intangible assets. This process involved estimation and judgement of future performance of the business and discount rates applied to future cash flows forecasted. | Procedures performed as part of our assessment of the transaction to determine if the appropriate accounting treatment was applied, included:<br>• Reviewing the acquisition agreement to understand the key terms and conditions, and confirming our understanding of the transaction with management;<br>• Assessed the deemed consideration with the terms of the acquisition agreement;<br>• Reviewed acquisition date balance sheet to acquisition agreement and underlying supporting documentation;<br>• Assessed the fair value of assets and liabilities acquired to the fair value assessment conducted by management, which included an estimation of the fair value of intangibles recorded at the date of acquisition;<br>• We assessed the appropriateness of the disclosures included in Note 6 to the financial report. |
| **Application of AASB 15 Revenue from Contracts with Customers**<br><br>The Consolidated Entity earns revenue by providing products and services to its customers.<br><br>Revenue was considered a key audit matter because it is the most significant account balances in the consolidated statement of profit or loss and other comprehensive income and the process of revenue recognition is complex due to the multiple revenue streams for products and services rendered. The revenue recognition of each revenue stream is subject to a high degree of management judgement and estimation including:<br>• the determination of the Consolidated Entity's accounting policy in relation to each revenue stream;<br>• the determination that revenue is recognised at an amount reflecting the consideration to which the | Procedures performed as part of our assessment in relation to the recognition of revenue, included:<br>• Assessing the appropriateness of the adopted revenue recognition policy developed by management upon application of AASB 15.<br>• Reviewing the impact of the adoption of AASB 15 prepared by management with effect on 1 July 2018;<br>• Discussing with management the rationale and basis on the revenue recognition criteria adopted for each of the revenue streams<br>• Obtaining a detailed understanding of each of the revenue streams and the process for calculating and recording revenue;<br>• Assessing whether the revenue recognition policies are in compliance with Australian Accounting Standards;<br>• Performing substantive testing on each revenue stream on a sample basis. The substantive testing included agreeing transactions to approved |

| | |
|---|---|
| Consolidated Entity is expected to be entitles in exchange for transferring goods or services to a customer. | contracts, approved variations and pricing, and agreeing the delivery of products and services to source documentation;<br>• Reviewing the revenue recognition calculation for revenue that has not yet been invoiced;<br>• Performing sample testing of project costs incurred to supporting documents;<br>• Evaluating management's assessment of any expected losses for contracts in progress at the reporting date;<br>• Evaluating the effectiveness of management's processes for evaluating the cost to complete projects;<br>• Reviewing the sales transactions before and after balance date to ensure proper cut-off of revenue recognition;<br>• Reviewing the appropriateness of disclosures in the financial statements. |
| **Impairment of Goodwill**<br><br>The Consolidated Entity has goodwill of $992,198 relating to the acquisition of SIMPEC Pty Ltd in the prior year.<br><br>Management performs an annual impairment test on the recoverability of the goodwill as required by Australian Accounting Standards.<br><br>We determined this to be a key audit matter due to the size of the goodwill balance and because the directors' assessment of the "value in use" of the cash generating unit ("CGU") involves judgement about the probability of future contracts to be secured, their profit margin and the discount rates applied to them. | Procedures performed as part of our assessment in relation to the recognition of revenue, included:<br>• Assessing management's determination that the goodwill should be allocated to a single CGU based on the nature of the Consolidated Entity's business and the manner in which results are monitored and reported;<br>• Assessing the valuation methodology used;<br>• Reviewing the reasonableness of key assumptions, including the cash flow projections, expected revenue growth rates, the discount rate, and sensitivities used;<br>• Checking the mathematical accuracy of the value in use model and considering the reasonableness of the input data;<br>• Reviewing the appropriateness of disclosure in the financial statements. |

**Other Information**

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2019, 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.

**Directors' Responsibility for the Financial Report**

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2(b), the directors also state in accordance with Australian Accounting Standard *AASB 101 Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

In preparing the financial report, the directors are responsible for assessing the ability of the Company 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 Company or to cease operations, or has no realistic alternative but to do so.

**Auditor's Responsibilities for the Audit of the Financial Report**

Our responsibility is to express an opinion on the financial report based on our audit. 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 Company'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 Consolidated Entity'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 Consolidated Entity 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 Company to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Company 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, related safeguards.

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 the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of the Company, for the year ended 30 June 2019, 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 s 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.

Criterion Audit

**CRITERION AUDIT PTY LTD**

**CHRIS WATTS CA**
**Director**

DATED at PERTH this 30th day of September 2019

# ADDITIONAL ASX INFORMATION

Additional information required by the Australian Stock Exchange and not shown elsewhere in this report is as follows. This information is prepared as at 31 August 2019.

| | Ordinary Shares | | |
|---|---|---|---|
| **Distribution of Shareholders** | **Number of Holders** | **Number of Shares** | **% Issued Share Capital** |
| 1 – 1,000 | 667 | 238,483 | 0.04% |
| 1,001 – 5,000 | 298 | 745,023 | 0.12% |
| 5,001 – 10,000 | 84 | 624,833 | 0.10% |
| 10,001 – 100,000 | 458 | 20,327,797 | 3.30% |
| 100,001 – and over | 420 | 593,818,480 | 96.44% |
| **Total** | **1,927** | **615,754,616** | **100.00%** |

Assuming a price of $0.035 there were 1,099 holders of ordinary shares holding less than a marketable parcel.

**On-Market Buy Back**
There is no current on-market buy back.

**Voting Rights**
All fully paid ordinary shares carry one vote per share without restriction.

**Substantial Shareholders as at 31 August 2019**
The names of substantial shareholders the Company is aware of from the register, or who have notified the Company in accordance with Section 671B of the Corporations Act are:

| Substantial Shareholder | Holding | % held |
|---|---|---|
| Econ (WA) Pty Ltd <Rechichi Family A/C> | 75,635,465 | 12.28% |
| Mr Lay Ann Ong and associated entities | 74,343,686 | 12.07% |
| Mr David Dimasi | 37,500,000 | 6.09% |

Top twenty shareholders of ordinary shares:

| | | | |
|---|---|---|---|
| 1 | WESTSTAR PRECAST PTE LTD | 60,000,000 | 9.74% |
| 2 | ECON (WA) PTY LTD <RECHICHI FAMILY A/C> | 47,510,465 | 7.72% |
| 3 | ECON (WA) PTY LTD <RECHICHI FAMILY A/C> | 28,125,000 | 4.57% |
| 4 | DAVID DIMASI <INVESTMENT UNIT TRUST A/C> | 25,000,000 | 4.06% |
| 5 | PASSPA PTY LTD <THE PS UNIT A/C> | 20,000,000 | 3.25% |
| 6 | MR JON PAUL RE <J P RE FAMILY A/C> | 15,650,333 | 2.54% |
| 7 | TYRRHENIAN HOLDINGS PTY LTD <TYRRHENIAN A/C> | 14,733,564 | 2.39% |
| 8 | LAY ANN ONG | 14,343,686 | 2.33% |
| 9 | DAVID DIMASI <DAVID DIMASI FAMILY A/C> | 12,500,000 | 2.03% |
| 10 | MR DAMIEN TERENCE MICHAEL RHODES | 10,000,000 | 1.62% |
| 10 | SUNSET CAPITAL MANAGEMENT PTY LTD <SUNSET SUPERFUND A/C> | 10,000,000 | 1.62% |
| 11 | MR MARK DIMASI & MRS JULIANNE DIMASI <THE DIMASI FAMILY A/C> | 9,375,000 | 1.52% |
| 12 | ST KILDA LAND PTY LTD | 8,000,000 | 1.30% |
| 13 | KIORAKU PTY LTD <KIORAKU A/C> | 7,250,000 | 1.18% |
| 14 | MR NATHAN CARATTI | 7,100,000 | 1.15% |
| 15 | MR LACHLAN JAMES WALDEN | 6,000,000 | 0.97% |
| 16 | J C O'SULLIVAN PTY LTD <J C O'SULLIVAN P/L S/F A/C> | 5,000,000 | 0.81% |
| 16 | TC & DM NEWELL SUPER FUND PTY LTD <TC & DM NEWELL S/F A/C> | 5,000,000 | 0.81% |
| 16 | MR PETER ROBERT LEMON | 5,000,000 | 0.81% |
| 16 | TWO TOPS PTY LTD | 5,000,000 | 0.81% |
| 17 | GIUSEPPE MONDELLO SUPER FUND PTY LTD <GIUSEPPE MONDELLO S/F A/C> | 4,233,333 | 0.69% |
| 18 | BOLT CONSULTING PTY LTD | 4,200,000 | 0.68% |
| 19 | CELTIC CAPITAL PTY LTD <THE CELTIC CAPITAL A/C> | 4,000,000 | 0.65% |
| 20 | DR STUART LLOYD PHILLIPS & MRS FIONA JANE PHILLIPS <SL & FJ PHILLIPS S/FUND A/C> | 3,750,000 | 0.61% |
| | **Total** | **331,771,381** | **53.88%** |
| | **Total issued capital - selected security class(es)** | **615,754,616** | **100.00%** |