

## ASX ANNOUNCEMENT

27 February 2020

# WestStar Delivers Strong 1H FY20 Result

## Highlights

- **1H FY20 Performance Highlights:**
  - **Revenue:** ~\$33 million (1H FY19: ~\$10 million)
  - **Underlying EBITDA<sup>1</sup>:** ~\$2 million (1H FY19: ~\$0.7 million)
  - **Cash Balance<sup>2</sup>:** ~\$8 million (1H FY19: ~\$3 million)
- **2H FY20 Outlook:**
  - Strategic acquisition of Alltype Engineering completed in January 2020
  - Current combined group orderbook of \$25 million
  - Overhead synergies and operational cost savings to deliver \$1.2 million per annum benefit to the bottom line
  - Record pipeline of over \$400 million in qualified tender opportunities
  - Diversified customer base and pipeline across the mining & minerals, oil & gas, power, water and infrastructure sectors
  - Strategic focus on revenue growth in sustaining capital projects and geographical expansion

Industrial services company **WestStar Industrial Limited (Company or WestStar)** (ASX: WSI), is pleased to present its financial results for the first half of the 2020 financial year.

## 1H FY20 Performance Highlights

The Company achieved record revenue of \$33.3 million for the six months ended 31 December 2019, a 222% increase on the prior corresponding period and up 82% on the second half of the 2019 financial period. Net profit after tax was \$0.5 million and underlying EBITDA was \$2.0 million.

Six months ended 31 December		1H FY20	1H FY19	
Revenue	\$M	33	10	222% ↑
Underlying EBITDA	\$M	2.0	0.7	185% ↑
Cash Balance	\$M	8	3	202% ↑

## 2H FY20 Outlook

SIMPEC's strong performance in 1H FY20 and the recent integration of Alltype Engineering has strengthened and diversified WestStar's order book, which is currently \$25 million, the majority of which will be delivered during 2H FY20.

The integration of Alltype Engineering further extends and diversifies the company order book for the second half of FY20.

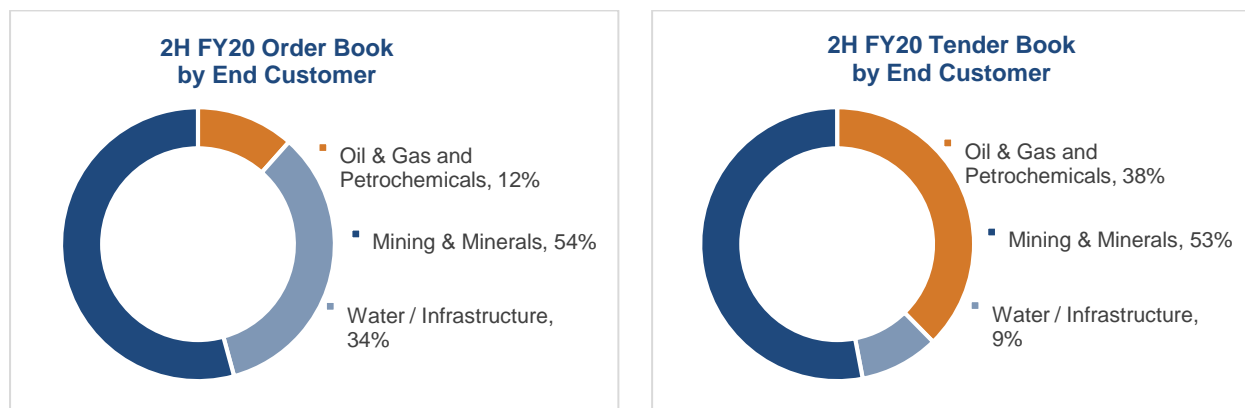
The relocation of the Company's existing precast division to Alltype Engineering represents a cost saving of \$1.2 million over the next 12 months with further synergies to be gained from consolidation of back office functions.

<sup>1</sup> Result after adding back Interest, depreciation and extraordinary items including share-based payments and acquisition costs

<sup>2</sup> Cash and bank guarantees

The Company incurred one-off legal and due diligence costs in the half year in relation to the Alltype Engineering acquisition. Payments to suppliers and employees during the half year were also proportionately higher due to timing differences which are expected to unwind over the next half. Receipts will be bolstered by the release of retention balances and the material increase in activity from Alltype Engineering.

WestStar's growing tender pipeline has increased substantially and now exceeds \$400 million in qualified opportunities, with favourable market conditions in WestStar's key markets expected to provide a continuing pipeline of new opportunities during 2H FY20.



#### WestStar CEO, Robert Spadanuda, commented:

"WestStar's first half results reinforce its ability to safely deliver sustainable profit growth in line with our strategic objectives.

The Company's operational focus for the second half of FY20 is to secure additional opportunities across all areas aligned with the companies enhanced capability. Through effective risk management we remain committed to a strong safety culture along with the profitable and sustainable delivery of earnings growth.

The introduction of Alltype Engineering in January 2020 allows us to harness our new asset base in order to deliver larger projects with a focus on sustaining capital and geographical expansion that fit within our risk appetite.

The current orderbook and pipeline of tender opportunities provide WestStar with increased confidence in achieving further revenue growth in 2H FY20 based on our ability to convert a qualified tender book pipeline of \$400 million."

-Ends-

#### For further information please contact:

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**Robert Spadanuda**  
**CEO**  
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**About WestStar**

WestStar Industrial Limited (ASX: WSI) is an industrial, steel fabrication, installation and maintenance services company focussed on the resources, oil and gas, water and infrastructure sectors.

**About SIMPEC**

SIMPEC delivers high quality construction and engineering services with specialisation in structural mechanical and piping (SMP), electrical and instrumentation (E&I), concrete products and civil Services. For more information: [www.simpec.com.au](http://www.simpec.com.au)

**About Alltype Engineering**

Alltype Engineering leverages off its fabrication capability and provides complete project solutions including SMP and E&I site installation, construction and maintenance services, across almost every industry in Australia. Alltype's products and services have been delivered and installed state-wide, nationally and internationally through our workshops and sites and can be found on land, offshore on islands, FPSO's and platforms, below ground and even subsea. Supported by its team of experienced multi-disciplinary project personnel, Alltype delivers consistent quality products and services that underpin its commitment to its vision "to be recognised as the preferred partner in delivering integrated fabrication, site and maintenance services with reliable, innovative and cost-effective solutions".

For more information: [www.alltypeengineering.com.au](http://www.alltypeengineering.com.au)

*ASX release authorised by the Board of Directors of WestStar Industrial Limited.*

**WestStar Industrial Limited**  
**Appendix 4D**  
**Half-year report**

**1. Company details**

Name of entity:	WestStar Industrial Limited
ABN:	38 119 047 693
Reporting period:	For the half-year ended 31 December 2019
Previous period:	For the half-year ended 31 December 2018

**2. Results for announcement to the market**

	<b>HY 31 Dec 2019</b>	<b>HY 31 Dec 2018</b>	<b>Up/Down</b>	<b>Change</b>	<b>Change</b>
	<b>\$</b>	<b>\$</b>		<b>\$</b>	<b>%</b>
Revenues from ordinary activities	33,260,051	10,333,281	Up	22,926,770	222%
Profit/ (Loss) from ordinary activities after tax attributable to the owners of WestStar Industrial Limited	495,616	(410,584)	Up	906,200	221%
Profit/ (Loss) for the half-year attributable to the owners of WestStar Industrial Limited	495,616	(410,584)	Up	906,200	221%

*Dividends*

WestStar Industrial Limited did not declare a dividend during the current reporting or corresponding previous reporting period.

*Comments*

The profit after tax for the half-year ended 31 December 2019 was \$495,616 (31 December 2018 loss: \$410,584).

Revenue for the Group was \$33,260,051 for the six months ending 31 December 2019, representing the Group's highest ever recorded half-year revenue result and an increase of more than 222% over the prior corresponding period (31 December 2018: revenue of \$10,333,281).

The Group incurred an after-tax profit attributed to members of \$495,616 for the half year ending 31 December 2019 (31 December 2018: loss of \$410,584). The Group again delivered a strong operational result with ~\$30M of contracts awarded to it during the half year. SIMPEC delivered the bulk of this result, continuing to prove a valuable partner to its clients on site.

Subsequent to the end of the reporting period, the Group completed the acquisition of Alltype Engineering Pty Ltd. Alltype is a compelling acquisition for WestStar, providing scale and diversification with a substantial increase in revenues and earnings.

**3. Net tangible assets**

	<b>Reporting period Cents</b>	<b>Previous period Cents</b>
Net tangible assets per ordinary security	<u>0.52</u>	<u>(0.08)</u>

#### 4. Control gained over entities

Not applicable.

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#### 5. Loss of control over entities

Not applicable.

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#### 6. Details of associates and joint venture entities

Name of associate / joint venture	Reporting entity's percentage holding		Contribution to profit/(loss) (where material)	
	Reporting period %	Previous period %	Reporting period \$'000	Previous period \$'000
None	-	-	-	-

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#### 7. Audit qualification or review

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

The 2019 Half-Year report is based upon accounts that were reviewed by the Company's auditor and are not subject to a modified opinion.

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#### 8. Attachments

*Details of attachments (if any):*

The Interim Report of WestStar Industrial Limited for the half-year ended 31 December 2019 is attached.

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#### 9. Signed



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Philip Re  
Director

Date: 27 February 2020



ABN 38 119 047 693

Financial Report for the Half-year Ended  
31 December 2019



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## **CORPORATE DIRECTORY**

### **Directors**

Mr Philip Re (Non-Executive Chairman)  
Mr Bert Mondello (Non-Executive Director)  
Mr Lay Ann Ong (Non-Executive Director)

### **Company Secretary**

Mr Derek Hall

### **Registered Office**

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437 Roberts Road  
Subiaco WA 6008  
Telephone: +61 8 6380 2555  
Facsimile: +61 8 9381 1122

### **Website**

[www.weststarindustrial.com.au](http://www.weststarindustrial.com.au)

### **Share Registry**

Automic Registry Services Pty Ltd  
Level 1  
7 Ventnor Ave,  
West Perth WA 6005  
Telephone: + 618 9324 2099  
Facsimile: + 618 9321 2337

### **Auditors**

Criterion Audit Pty Ltd  
PO Box 2138  
Subiaco WA 6008

### **Stock Exchange**

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

### **ASX Code**

WSI

## 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 half-year ended 31 December 2019. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

## DIRECTORS

The names of directors who held office during or since the end of the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Mr Philip Re	Non-Executive Chairman
Mr Bert Mondello	Non-Executive Director
Mr Lay Ann Ong	Non-Executive Director

## RESULTS OF OPERATIONS

Revenue for the Group was \$33,260,051 for the half year ending 31 December 2019, representing the Group's highest ever recorded half year revenue result and an increase of more than 225% over the prior corresponding period (31 December 2018: revenue of \$10,333,281). This result builds on the Company's record revenue and maiden net profit in the FY2019 year, establishing a track record of growing turnover and profitability.

The Group posted an after-tax profit attributed to members of \$495,616 for the half year ending 31 December 2019 (31 December 2018: loss of \$410,584). Several non-cash expenses are recorded in the Company's accounts. Adding these items back further demonstrates the Company's focussed and responsible growth trajectory.

	Half-year ended 31 December 2019
	\$
Profit after income tax expense	495,616
Add back:	
Share based payment expense	1,167,690
Interest costs	154,773
Depreciation	56,522
Debtor and impairment provisions	50,437
Due diligence and acquisition costs	102,351
Underlying EBITDA*	2,027,389

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

## REVIEW OF OPERATIONS

### Operations

The Group again delivered a strong operational result with ~\$30M of contracts awarded to it during the half year. SIMPEC delivered the bulk of this result, continuing to prove a valuable partner to its clients on site.

### SIMPEC operations

During the half year, SIMPEC was two significant new contracts:

- a \$5M contract at Fortescue's (FMG) Eliwana Mine and Rail Project with Energy Power Systems Australia;
- a \$5M contract direct with Tianqi Lithium Kwinana ("TLK") at the Tianqi Lithium LHPP1 process plant in Kwinana, Western Australia.

The contract award at FMG's Eliwana Mine deepens SIMPEC's exposure to WA's significant iron ore projects. With this award SIMPEC has contracts across each of BHP (South Flank), Rio Tinto (West Angelas Mine and Cape Lambert Port Facility) and now FMG.

The FMG contract also represents SIMPEC's first full vertical installation package – comprising of Civil, Structural, Mechanical, Piping, Electrical and Instrumentation works - (SIMPEC as the true acronym). Under the contract, SIMPEC will supply (partially), install, test and commission the 25 Mega Watt Diesel Power Generation facilities for the Fortescue Eliwana Mine and Rail Project. The contract commenced and was a significant focus during the half year with completion scheduled in July 2020.



SIMPEC's contract award directly with TLK at the Tianqi Lithium LHPP1 process plant is another first for SIMPEC with previous contracts at this project completed as a subcontractor. Under the contract, SIMPEC will supply SMP and E&I completions and commissioning support services for the stage 1 processing plant assisting TLK with the handover of the plant to operations.

In addition to these new contracts, SIMPEC was awarded scope extensions to its current contracts in excess of \$18M. These extensions represent a strong endorsement of SIMPEC as a capable engineering contractor.

Along with its existing work scope at the Tianqi Lithium LHPP1 process plant, during the half year SIMPEC was mobilised at Rio Tinto's West Angelas Mine and FMG's Eliwana camp with ATCO Structures and Logistics and with Rio Tinto at the Cape Lambert Port Facility.

SIMPEC also continued its strong tendering activities with further contract decisions expected and announcements to be made in this regard in due course.

### *Corporate*

During the half year, the Company announced that it has executed a Share Sale Agreement ("Share Sale Agreement") to acquire 100% of Alltype Engineering Pty Ltd ("Alltype") in a fully funded and all-scrip transaction.

Established in 1985 and with a current workforce of around 120 personnel, Alltype is a leading provider of workshop fabrication, site installation, construction and maintenance services to the Oil & Gas, Water, Power Generation, Infrastructure, Mining, Resources, Utility, Petrochemical and Defence industries, in both the private and public sectors across Australia.

Alltype's head office and state-of-the-art manufacturing facilities are located in Naval Base, Western Australia, providing excellent proximity to rail, road and port transport infrastructure and ready access to supply chain support and services. Alltype has a long track record of sustainable earnings and in FY19 delivered revenue of \$29.8M and FY19 EBITDA of ~\$2.0M.

Alltype is a compelling acquisition for WestStar, providing scale and diversification with a substantial increase in revenues and earnings. The all-scrip consideration proposed consisted of ~\$5.9M upfront consideration and deferred consideration of Shares in the Company, subject to Alltype achieving FY20 EBITDA targets, with both tranches escrowed 12 months from issue

On 24 December 2019, Shareholders approved the transaction and the issue of up to 329,294,000 upfront consideration shares and up to 243,387,647 deferred consideration shares.

Subsequent to the half-year end, the Company completed the acquisition of Alltype with all conditions precedent met or waived through the issue of 237,091,680 upfront consideration shares in the Company to the vendors of Alltype based on a VWAP calculation.

Due to these corporate activities, the Company incurred one off expenses for due diligence, legal and corporate advisory costs. The Company also incurred costs in finalising an exit of its leased operational facility in Kwinana with a view to consolidating those operations into one at Alltype's state-of-the-art facility, located in Naval Base, Western Australia. Synergies and cost savings from these efforts are expected to be realised over the coming months.

Ultimately, Alltype is highly complementary to WestStar's existing operations, providing meaningful opportunities for vertical integration and cross selling across an enlarged customer base. The newly combined Group will target continued diversification across complimentary market segments and expansion into key geographical areas.

**DIRECTORS' REPORT**

**SIGNIFICANT EVENTS AFTER THE BALANCE DATE**

On 28 January 2020, the Group announced the completion of the acquisition of Alltype Engineering Pty Ltd ("Alltype") with all conditions precedent met or waived through the issue of 237,091,680 fully paid ordinary shares in the Company to the vendors of Alltype.

Other than the above, there are no other significant events subsequent to balance date.

**AUDITOR INDEPENDENCE DECLARATION**

Section 307C of the Corporations Act 2001 requires our auditors, Criterion Audit Pty Ltd, to provide the directors of the company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 6 and forms part of this directors' report for the half-year ended 31 December 2019.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the Corporations Act 2001.

A handwritten signature in black ink, appearing to read 'Philip Re', with a stylized, cursive script.

**Philip Re**  
**Director**  
Perth, Western Australia  
27 February 2020

Criterion Audit Pty Ltd

ABN 85 165 181 822

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Suite 1 GF, 437 Roberts Road  
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 review of the financial statements of WestStar Industrial Limited and its controlled entities for the half year ended 31 December 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 review; and
- any applicable code of professional conduct in relation to the review.

Yours faithfully



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

**CRITERION AUDIT PTY LTD**

DATED at PERTH this 27<sup>th</sup> day of February 2020

**Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income**  
for the half-year ended 31 December 2019

	Note	31 December 2019 \$	31 December 2018* \$
Revenue	3	33,187,523	10,283,478
Cost of goods sold		(28,934,176)	(8,338,489)
		<b>4,253,347</b>	<b>1,944,989</b>
Other income	3	72,528	49,803
Distribution expenses		(74,806)	(73,987)
Occupancy expenses		(321,526)	(290,945)
Depreciation		(56,522)	(71,052)
Employment expenses		(1,486,372)	(1,048,787)
Administration expenses		(317,494)	(727,604)
Insurance		(200,639)	(134,602)
Impairment of intangibles		-	950,829
Finance costs		(154,773)	(92,081)
Doubtful debts expense		(50,437)	(279,648)
Share based payments expense	9,10	(1,167,690)	(637,499)
<b>Expenses</b>		<b>(4,149,278)</b>	<b>(2,405,376)</b>
<b>Profit/ (Loss) before income tax</b>		<b>495,616</b>	<b>(410,584)</b>
Income tax expense		-	-
<b>Profit/ (Loss) after income tax</b>		<b>495,616</b>	<b>(410,584)</b>
<b>Other Comprehensive Income</b>			
<i>Items that may be reclassified to profit or loss</i>		-	-
<b>Other comprehensive loss, net of tax</b>		-	-
<b>Total comprehensive income / (loss)</b>		<b>495,616</b>	<b>(410,584)</b>
<b>Earnings / (loss) per share</b>			
Basic and diluted (loss)/earnings per share (cents)		0.08	(0.09)

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

\*Period ended 31 December 2018 re-presented to include the reversal of goodwill impairment occur during the period (Note 2(d)).

**Condensed Consolidated Statement of Financial Position**

As at 31 December 2019

	Note	31 December 2019 \$	30 June 2019 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		7,645,624	10,068,300
Trade and other receivables	4	6,199,931	6,081,759
Stock on hand		7,131	15,933
Other assets	5	4,430,354	5,835,136
<b>Total Current Assets</b>		<b>18,283,040</b>	<b>22,001,129</b>
<b>Non-Current Assets</b>			
Trade and other receivables	4	727,021	-
Bank guarantees		168,933	395,313
Property, plant & equipment		307,312	353,914
Loans receivable		818,995	780,524
Intangible Assets	2(d)	992,198	992,198
<b>Total Non-Current Assets</b>		<b>3,014,459</b>	<b>2,521,949</b>
<b>Total Assets</b>		<b>21,297,499</b>	<b>24,523,078</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	7	10,564,525	10,985,353
Provisions		314,102	273,716
Borrowings	8	882,050	882,011
Other liabilities	6	5,142,169	9,650,651
<b>Total Current Liabilities</b>		<b>16,902,848</b>	<b>21,791,731</b>
<b>Total Liabilities</b>		<b>16,902,846</b>	<b>21,791,731</b>
<b>Net Assets / (Liabilities)</b>		<b>4,394,653</b>	<b>2,731,347</b>
<b>EQUITY</b>			
Issued capital	9	13,884,376	13,004,376
Reserves	10	772,495	484,805
Accumulated losses		(10,262,218)	(10,757,834)
<b>Total Equity / (Deficiency)</b>		<b>4,394,653</b>	<b>2,731,347</b>

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

**Condensed Consolidated Statement of Cash Flows**

for the half-year ended 31 December 2019

	31 December 2019 \$	31 December 2018 \$
<b>Cash flows from operating activities</b>		
Receipts from customers	29,145,517	8,404,430
Payments to suppliers and employees	(31,600,833)	(7,982,481)
Interest received	9,384	2,915
Interest paid	(154,773)	(92,081)
<b>Net cash flows used in operating activities</b>	<b>(2,600,705)</b>	<b>332,783</b>
<b>Cash flows from investing activities</b>		
Receipt (Payment) for investment in term deposit / bank guarantee	226,380	30,362
Purchase of property, plant & equipment	(9,919)	(33,230)
<b>Net cash flows provided by/(used in) investing activities</b>	<b>216,461</b>	<b>(2,868)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	-	650,000
Loans to related parties	(38,471)	(6,750)
Repayment of borrowings	39	(220,019)
<b>Net cash provided by/(used in) financing activities</b>	<b>(38,432)</b>	<b>423,231</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(2,422,676)</b>	<b>753,146</b>
Cash and cash equivalents at beginning of period	10,068,300	1,711,826
<b>Cash and cash equivalents at the end of the period</b>	<b>7,645,624</b>	<b>2,464,972</b>

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

**Condensed Consolidated Statement of Changes in Equity**

for the half-year ended 31 December 2019

	Issued capital \$	Accumulated losses \$	Share based payment reserve \$	Total \$
<b>At 1 July 2019</b>	<b>13,004,376</b>	<b>(10,757,834)</b>	<b>484,805</b>	<b>2,731,347</b>
Profit/(loss) for the half-year	-	495,616	-	495,616
Other comprehensive income	-	-	-	-
<b>Total comprehensive loss for the half-year</b>	<b>-</b>	<b>495,616</b>	<b>-</b>	<b>495,616</b>
<b>Transactions with owners in their capacity as owners</b>				
Issue of shares for SIMPEC earn-out	550,000	-	-	550,000
Issue of shares to related party for services rendered	330,000	-	-	330,000
Recognition of share-based payments	-	-	287,690	287,690
<b>Transactions with owners in their capacity as owners</b>	<b>880,000</b>	<b>-</b>	<b>287,690</b>	<b>1,167,690</b>
<b>Balance at 31 December 2019</b>	<b>13,884,376</b>	<b>(10,262,218)</b>	<b>772,495</b>	<b>4,394,653</b>

	Issued capital \$	Accumulated losses \$	Share based payment reserve \$	Total \$
<b>At 1 July 2018</b>	<b>10,162,478</b>	<b>(11,439,911)</b>	<b>821,045</b>	<b>(456,388)</b>
Change in accounting policies	-	(496,479)	-	(496,479)
<b>Restated balance At 1 July 2018</b>	<b>10,162,478</b>	<b>(11,936,390)</b>	<b>821,045</b>	<b>(952,867)</b>
Profit/(loss) for the half-year	-	(410,584)	-	(410,584)
Other comprehensive income	-	-	-	-
<b>Total comprehensive loss for the half-year</b>		<b>(410,584)</b>	<b>-</b>	<b>(410,584)</b>
<b>Transactions with owners in their capacity as owners</b>				
Rights conversion as issued for the acquisition of Simpec Pty Limited	637,499	-	-	637,499
<b>Transactions with owners in their capacity as owners</b>	<b>637,499</b>	<b>-</b>	<b>-</b>	<b>637,499</b>
<b>Balance at 31 December 2018</b>	<b>10,799,977</b>	<b>(12,346,974)</b>	<b>821,045</b>	<b>(725,952)</b>

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



## **Notes to the Condensed Consolidated Financial Statements**

for the half-year ended 31 December 2019

### **1. Corporate**

The consolidated half-year financial report of WestStar Industrial Limited ("the Company") and its controlled entities ("the Group" or "Consolidated Entity") for the half-year ended 31 December 2019 was authorised for issue on 27 February 2020 in accordance with a resolution of the directors on 27 February 2020.

WestStar Industrial Limited is a 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 are described in the Directors' Report.

### **2. Basis of Preparation and Accounting Policies**

#### **(a) Basis of preparation**

These general purpose condensed financial statements for the half-year ended 31 December 2019 have been prepared in accordance with Australian Accounting Standard 134 Interim Financial Reporting and the Corporations Act 2001. Compliance with AASB 134 ensures compliance with IAS 34 Interim Financial Reporting.

These half-year financial statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial statements. Accordingly, these half-year financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2019 and any public announcements made by WestStar Industrial Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The half-year report has been prepared on an accruals basis and is based on a historical cost basis, except for the revaluation of certain financial instruments to fair value.

For the purpose of preparing the half-year financial report, the half year has to be treated as a discrete reporting period. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

#### **(b) 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 half-year ended 31 December 2019 of \$495,616 (31 December 2018: net loss of \$410,584). The Group had net cash outflows of \$2,600,705, had Cash of \$7,645,624 and a working capital surplus of \$1,380,192 at 31 December 2019.

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.

#### **(c) Significant Accounting Policies**

##### *AASB 16 Leases*

AASB 16 Leases replaces AASB 17 Leases along with three interpretations (IFRIC 4 Determining whether an Arrangement contains a Lease, SIC 15 Operating Leases-Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease).

The adoption of this new Standard results in the recognition of a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

Management has reviewed the application of AASB 16 and determined that it is not expected to have a material impact on the Group's financial statements.

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.

**Notes to the Condensed Consolidated Financial Statements**

for the half-year ended 31 December 2019

**2. Basis of Preparation and Accounting Policies (continued)****(c) Significant Accounting Policies (continued)***Revenue Recognition*

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: 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.

*Interest*

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.

**(d) Prior Period Adjustments**

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

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.

**Consolidated statement of Financial Position**

The total impact on the Group's statement of Financial Position as at 31 December 2018:

As at	31 December 2018 Reported	Prior Period Adjustment	31 December 2018 Restated
<b>Non-Current Assets</b>			
Intangible Assets	-	992,198	992,198
<b>Total assets</b>	-	<b>992,198</b>	<b>992,198</b>
<b>Equity</b>			
Accumulated losses	-	(992,198)	(992,198)
<b>Total Equity</b>	-	<b>(992,198)</b>	<b>(992,198)</b>

**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	31 December 2018 Reported	Prior Period Adjustment	31 December 2018 Restated
<b>Expenses</b>			
Recognition of intangibles	-	992,198	992,198
<b>Total Expenses</b>	-	<b>992,198</b>	<b>992,198</b>
<b>Profit / (Loss) before tax</b>	-	<b>992,198</b>	<b>992,198</b>

The prior period adjustment did not have any impact on the Group's Statement of Cash Flows.

**Notes to the Condensed Consolidated Financial Statements**

for the half-year ended 31 December 2019

**2. Basis of Preparation and Accounting Policies (continued)****(c) Significant Accounting Policies (continued)***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 Group has transferred goods or services to the customer but where the Group 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 Group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Group has transferred the goods or services to the customer.

**(d) 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.

	31 December 2019 \$	31 December 2018 \$
<b>3. Revenue and Other Income Revenue</b>		
<b>Revenue</b>		
Sale of goods and services	33,187,523	10,283,478
<b>Other income</b>		
Interest income	9,384	45,809
Other income	63,143	3,994
	<u>72,528</u>	<u>49,803</u>
	<b>33,260,051</b>	<b>10,333,281</b>
	31 December 2019 \$	30 June 2019 \$
<b>4. Trade and Other Receivables</b>		
<b>Current</b>		
Trade receivables	5,572,149	5,898,577
Less Provision for doubtful debts	(685,184)	(636,605)
	<u>4,886,965</u>	<u>5,261,972</u>
Retentions	1,089,783	625,461
Other receivables	-	2,100
Prepayments	223,183	192,226
	<u>6,199,931</u>	<u>6,081,759</u>
<b>Non-current</b>		
Retentions	<u>727,021</u>	-
	31 December 2019 \$	30 June 2019 \$
<b>5. Other Assets</b>		
Contract assets	4,430,354	5,835,136
	<u>4,430,354</u>	<u>5,835,136</u>

**Notes to the Condensed Consolidated Financial Statements**

for the half-year ended 31 December 2019

	31 December 2019 \$	30 June 2019 \$
<b>6. Other Liabilities</b>		
Contract liabilities	5,142,169	9,650,651
	<b>5,142,169</b>	<b>9,650,651</b>
	31 December 2019 \$	30 June 2019 \$
<b>7. Trade and Other Payables</b>		
Trade payables	8,152,881	7,617,598
Sundry creditors and accruals	2,411,644	3,367,755
	<b>10,564,525</b>	<b>10,985,353</b>
	31 December 2019 \$	30 June 2019 \$
<b>8. Borrowings</b>		
Loan from related parties (i)	232,050	232,011
Financing facility (ii)	650,000	650,000
	<b>882,050</b>	<b>882,011</b>

(i) Loan from WestStar Precast Pte Ltd, an entity associated with a Non-Executive Director, Lay Ann Ong. The loan is unsecured with no interest payable.

(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 period end, the facility had been drawn down to \$650,000. The facility bears interest at 10% p.a. As the facility term was for one year, the Company renegotiated with the lenders to roll the facility over for an additional year.

**9. Issued Capital****(a) Issued and paid up capital**

	31 December 2019 \$	30 June 2019 \$
Ordinary shares fully paid	<b>13,884,376</b>	<b>13,004,376</b>

**(b) Movements in shares on issue**

	6 months to 31 December 2019		Year to 30 June 2019	
	No.	\$	No.	\$
<i>Movements in ordinary shares on issue</i>				
Opening balance	615,754,616	13,004,376	458,254,616	10,162,478
Details of the Company shares issued during the period:				
Rights conversion for acquisition of SIMPEC	-	-	37,500,000	637,499
Placement to sophisticated investors	-	-	120,000,000	2,204,399
Shares issued for SIMPEC earn-out (i)	25,000,000	550,000	-	-
Shares issued to related party for services rendered (ii)	15,000,000	330,000	-	-
	40,000,000	880,000	157,500,000	2,841,898
Closing balance	<b>655,754,616</b>	<b>13,884,376</b>	615,754,616	13,004,376

(i) During the period, 25,000,000 shares at \$0.022 have been issued to SIMPEC upon achievement of EBITDA based KPIs

(ii) On 29 November 2019, the Company issued 15,000,000 shares at \$0.022 to a related party for services rendered.

**Notes to the Condensed Consolidated Financial Statements**

for the half-year ended 31 December 2019

**9. Issued Capital (continued)****(c) Share options**

During the period, the Company issued 30,000,000 options to advisor for services rendered, with an exercise price of \$0.04 and an expiry of three years from issue date.

The fair value at grant date of the options issued has been determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option. The total share based payment expense for the period ended 31 December 2019 was \$287,690 (2018: \$nil).

**10. 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.

	31 December 2019 \$	30 June 2019 \$
Share based payment reserve	<b>772,495</b>	<b>484,805</b>
<i>Movements in share based payment reserve</i>		
Opening balance	484,805	821,045
Recognition of share-based payments (9(c))	287,690	-
Transfer of expired options value	-	(336,240)
Closing balance	<b>772,495</b>	<b>484,805</b>

**11. Contingent Liabilities & Commitments.**

Operating lease commitments

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

	31 December 2019 \$	30 June 2019 \$
Within One Year	-	185,795
After one year but not more than five years	-	-
	<b>-</b>	<b>185,795</b>

**12. Segment Information**

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

Precast Australia, which provides prefabricated concrete construction services to the construction and resources sectors in Australia.

SIMPEC, which is a construction contractor with specialist experience in both Structural Mechanical and Piping, Electrical and Instrumentation works.

Distinct Development, which addresses small to mid-size mixed-use property projects, a niche in the local market.

**Notes to the Condensed Consolidated Financial Statements**

for the half-year ended 31 December 2019

**12. Segment Information (continued)**

<b>Segment reporting</b>	<b>Precast \$</b>	<b>SIMPEC \$</b>	<b>Distinct \$</b>	<b>Group \$</b>
<b>Half-year ended 31 December 2019</b>				
Segment revenue	2,696,202	30,491,321	-	33,187,523
Segment expense	(3,423,593)	(27,835,683)	(2,281)	(31,261,557)
<b>Segment operating loss</b>	<b>(727,390)</b>	<b>2,655,638</b>	<b>(2,281)</b>	<b>1,925,966</b>
Other Income				72,528
Corporate & administration				(1,502,878)
<b>Net operating Profit (Loss) after Tax</b>				<b>495,616</b>
<b>Half-year 31 December 2018</b>				
Segment revenue	2,753,162	7,530,315	41,369	10,324,846
Segment expense	(1,395,671)	(6,782,895)	(43,067)	(8,221,633)
<b>Segment operating loss</b>	<b>1,357,491</b>	<b>747,420</b>	<b>(1,698)</b>	<b>2,103,213</b>
Other Income				8,436
Corporate & administration				(2,522,233)
<b>Net operating Profit (Loss) after Tax</b>				<b>(410,584)</b>
<b>Segment reporting</b>	<b>Precast \$</b>	<b>SIMPEC \$</b>	<b>Distinct \$</b>	<b>Group \$</b>
<b>Half-year ended 31 December 2019</b>				
Segment assets	1,602,200	17,036,965	750,791	19,389,956
Segment liabilities	(2,503,629)	(13,243,780)	-	(15,747,409)
<b>Segment asset &amp; liabilities</b>	<b>(901,429)</b>	<b>3,793,185</b>	<b>750,791</b>	<b>3,642,547</b>
Cash and corporate assets				1,907,543
Corporate liabilities				(1,155,438)
<b>Total asset &amp; liabilities</b>				<b>4,394,652</b>
<b>Year ended 30 June 2019</b>				
Segment assets	2,588,418	15,659,884	752,872	19,001,174
Segment liabilities	(2,812,594)	(17,633,049)	-	(20,445,643)
<b>Segment asset &amp; liabilities</b>	<b>(224,176)</b>	<b>(1,973,165)</b>	<b>752,872</b>	<b>(1,444,469)</b>
Cash and corporate assets				5,521,904
Corporate liabilities				(1,346,088)
<b>Total asset &amp; liabilities</b>				<b>2,731,347</b>

The Group is domiciled in Australia. All revenue from external customers is generated from Australia only. Segment revenues are allocated based on the country in which the customer is located.

**13. Financial Instruments**

At 31 December 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 half-year.

**14. Events after Reporting Date**

On 28 January 2020, the Group has completed the acquisition of Alltype Engineering Pty Ltd ("Alltype") with all conditions precedent met or waived through the issue of 237,091,680 shares.

Other than the above, there are no other significant events subsequent to balance date.

**Director's Declaration**

for the half-year ended 31 December 2019

In the opinion of the directors of WestStar Industrial Limited ('the company'):

1. The financial statements and notes thereto, are in accordance with the Corporations Act 2001 including:
  - a. complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
  - b. giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year then ended.
2. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable subject to the matters set out in Note 2(b).

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001.



**Philip Re**  
**Director**

Perth, Western Australia  
27 February 2020



## **Independent Auditor's Review Report**

### **To the Members of WestStar Industrial Limited**

We have reviewed the accompanying half-year financial report of WestStar Industrial Limited ("the Company") and Controlled Entities ("the Consolidated Entity") which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the Consolidated Entity, comprising the Company and the entities it controlled during the half-year.

### **Directors Responsibility for the Half-Year Financial Report**

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Weststar Industrial Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## **Independence**

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

## **Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of WestStar Industrial Limited and Controlled Entities is not in accordance with the Corporations Act 2001 including:

- a. Giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

*Criterion Audit*

**CRITERION AUDIT PTY LTD**

*Watts*

**CHRIS WATTS CA**

**Director**

DATED at PERTH this 27<sup>th</sup> day of February 2020