

ASX ANNOUNCEMENT

August 2019

WestStar Industrial Limited

Appendix 4E Preliminary Final Report

WestStar Industrial Limited (“WestStar” or the ‘Company”) (ASX: WSI) is an Australian industrial services company providing engineering, construction and mining services to the resources, energy and infrastructure sectors.

Highlights

For the financial year ended 30 June 2019, the Company is pleased to report a strong underlying EBITDA figure of \$1.39M based on a maiden profit result of \$984k (unaudited).

	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

The strong trading performance with revenue exceeding \$28M, has also strengthened the Company’s balance sheet, with more than \$10M cash at bank at the end of the financial year.

Rule 4.3A

Appendix 4E Preliminary Final Report

Name of entity

WESTSTAR INDUSTRIAL LIMITED

ABN or equivalent company reference:	38 119 047 693
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1. Reporting period

Preliminary report for the financial year ended	30 June 2019
Previous corresponding period is the financial year ended	30 June 2018

2. Results for announcement to the market

				\$'000
Revenues from ordinary activities (item 2.1)	up	213.9%	to	28,549
Profit from ordinary activities after tax attributable to members (item 2.2)	up	132.1%	to	984
Net profit for the period attributable to members (item 2.3)	up	132.1%	to	984

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

3. Statement of profit or loss and other comprehensive income

Refer to attached unaudited Preliminary Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2019.

4. Statement of financial position

Refer to attached unaudited Preliminary Consolidated Statement of Financial Position as at 30 June 2019.

5. Statement of Cash flows

Refer to attached unaudited Preliminary Consolidated Statement of Cash flows for the year ended 30 June 2019.

6. Statement of changes in equity

Refer to attached unaudited Preliminary Consolidated Statement of Cash flows for the year ended 30 June 2019.

7. Dividends

	Date of payment	Total amount of dividend
Interim dividend – year ended 30 June 2019	N/A	N/A
Final dividend – year ended 30 June 2019	N/A	N/A

Amount per security

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

Total dividend on all securities

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

8. Details of dividend or distribution reinvestment plans in operation are described below:

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

9. Net tangible assets per security

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	\$0.003	(\$0.040)

10. Details of entities over which control has been gained or lost during the period:

Control gained over entities

Name of entities <i>(item 10.1)</i>	N/A
Date(s) of gain of control <i>(item 10.2)</i>	N/A
Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period <i>(item 10.3)</i>	N/A

Loss of control of entities

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

11. Details of associates and joint venture entities

Name of associate or joint venture entity *(item 11.1)* **% Securities held *(item 11.2)***

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

Group's share of associates' and joint venture entities':	2019	2018
	\$	\$
Profit (loss) from ordinary activities before tax	N/A	N/A
Income tax on ordinary activities	N/A	N/A
Net profit (loss) from ordinary activities after tax	N/A	N/A
Adjustments		
Share of net profit (loss) of associates and JV entities	N/A	N/A

12. Significant information relating to the entity's financial performance and financial position.

Overview

WestStar Industrial Limited ("WestStar" or the 'Company') (ASX: WSI) is an Australian industrial services company providing engineering, construction and mining services to the resources, energy and infrastructure sectors.

The Company is pleased to report a strong underlying EBITDA figure of \$1.39M based on a maiden profit result of \$984k.

	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 strong trading performance has also strengthened the Company's balance sheet, with more than \$10M cash at bank at the end of the financial year.

Revenue

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.

Explanation of profit

The Company posted a full year profit of \$984k. This is a major milestone for the Company and a significant turnaround from prior periods. 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.

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

Outlook

The \$50M of contracts awarded in FY2019 and further \$10M of contract extensions in July 2019, together with the Group's strengthened balance sheet form a solid platform for SIMPEC to win and deliver much larger contracts with its growing team. SIMPEC is positioned strongly for the coming financial year with substantial contracted work in hand and is continuing to tender strongly.

FY2019 has been exceptional for WestStar, both operationally and financially. SIMPEC in particular has exceeded expectations with strong delivery on contracts on notable large resources projects. SIMPEC has been adept at proving its value to clients and this is demonstrated by the scope extensions awarded to it over and above the original contract values.

13. The financial information provided in the Appendix 4E is based on the preliminary financial report (attached), which has been prepared in accordance with Australian accounting standards.

14. Commentary on the results for the period.

Refer to explanation item 12.

15. Information on Audit.

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

16. Audit Opinion.

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

WestStar Industrial Limited
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	2	28,549,076	9,096,182
Other income	2	393,964	18,394
		<u>28,943,040</u>	<u>9,114,576</u>
Expenses:			
Cost of goods sold		(22,390,777)	(7,884,325)
Occupancy expenses		(606,088)	(627,044)
Administration expenses	3	(4,230,541)	(2,520,688)
Depreciation	7	(157,867)	(147,950)
Recognition/(Impairment) of intangibles	4	992,198	(992,198)
Other impairment charges		(41,369)	-
Finance costs	3	(244,798)	(10,096)
Doubtful debts expense		(642,012)	-
Share based payments expense	4	(637,499)	-
Expenses		<u>(27,958,753)</u>	<u>(12,182,301)</u>
Profit / (loss) before income tax		<u>984,287</u>	<u>(3,067,725)</u>
Income tax expense		-	-
Profit / (loss) after income tax		<u>984,287</u>	<u>(3,067,725)</u>
Other Comprehensive Income			
<i>Items that may be reclassified to profit or loss</i>		-	-
Other comprehensive loss, net of tax		-	-
Total comprehensive income / (loss)		<u>984,287</u>	<u>(3,067,725)</u>
Earnings / (loss) per share			
Basic (loss)/earnings per share		0.002	(0.008)

WestStar Industrial Limited
Consolidated Statement of Financial Position

AS AT 30 JUNE 2019

	Note	30 June 2019 \$	30 June 2018 \$
ASSETS			
Current Assets			
Cash and cash equivalents	5	10,068,300	1,711,826
Trade and other receivables		6,097,693	1,992,484
Other assets	6	5,835,136	306,673
Total Current Assets		22,001,129	4,010,983
Non-Current Assets			
Investments		151,380	148,323
Bank guarantees		243,933	155,362
Property, plant & equipment	7	353,914	435,033
Loans Receivable	8	780,524	750,000
Intangible assets	4	992,198	-
Total Non-Current Assets		2,521,949	1,488,718
Total Assets		24,523,078	5,499,701
LIABILITIES			
Current Liabilities			
Trade payables	9	7,617,598	3,933,387
Other payables	9	3,367,755	664,414
Provisions		273,716	156,408
Borrowings	10	882,011	785,461
Other liabilities	6	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		13,004,376	10,162,478
Reserves		484,805	821,045
Accumulated losses		(10,757,834)	(11,439,911)
Total Equity / (Deficiency)		2,731,347	(456,388)

WestStar Industrial Limited
Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2019

Attributable to Owners of the Company

	Notes	Issued Capital \$	Share-based Payments Reserve \$	Accumulated Losses \$	Total \$
Balance at 30 June 2017		8,284,978	766,608	(8,372,186)	679,400
Profit (Loss) for the year		-	-	(3,067,725)	(3,067,725)
Total comprehensive loss for the year		-	-	(3,067,725)	(3,067,725)
Transactions with owners in their capacity as owners					
Shares issued - SIMPEC Pty Ltd acquisition	4	937,500	-	-	937,500
Contribution of equity, net of transaction costs		940,000	-	-	940,000
Recognition of share-based payments		-	54,437	-	54,437
Balance at 30 June 2018		10,162,478	821,045	(11,439,911)	(456,388)
Change in accounting policies	6	-	-	(638,450)	(638,450)
Profit (Loss) for the year		-	-	984,287	984,287
Total comprehensive profit (loss) for the year		-	-	984,287	984,287
Transactions with owners in their capacity as owners					
Contribution of equity, net of transaction costs		2,204,399	-	-	2,204,399
Transfer of expired options value		-	(336,240)	336,240	-
Recognition of share-based payments	4	637,499	-	-	637,499
Balance at 30 June 2019		13,004,376	484,805	(10,757,834)	2,731,347

WestStar Industrial Limited
Consolidated Statement of Cashflows

FOR THE YEAR ENDED 30 JUNE 2019

	Notes	30 June 2019 \$	30 June 2018 \$
Cash flows from operating activities			
Receipts from customers		31,571,722	8,313,874
Payments to suppliers and employees		(25,396,531)	(8,436,779)
Interest received		6,199	6,267
Interest paid		(244,798)	(18,906)
Net cash flows used in operating activities		5,936,592	(135,544)
Cash flows from investing activities			
Payment for bank guarantees		(91,628)	(158,392)
Purchase of subsidiary, net cash acquired	4	-	79,633
Purchase of property, plant & equipment	7	(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	8	(30,524)	(750,000)
Repayment of borrowings		(622,018)	-
Net cash provided by/(used in) financing activities		2,588,258	410,019
Net increase (decrease) 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	5	10,068,300	1,711,826

NOTE 1: BASIS OF PREPARATION OF THE FINAL REPORT

BASIS OF PREPARATION

This preliminary final report for the year ended 30 June 2019 relates to the consolidated entity consisting of WestStar Industrial Limited (“WestStar” or “the Group”) and its controlled entities.

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

This preliminary final report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual financial report of the year ended 30 June 2018, the half year report for the period ended 31 December 2018 and any public announcements made by WestStar during the year in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

STATEMENT OF COMPLIANCE

The preliminary final report is a general-purpose financial report and has been prepared in accordance with applicable Australian Accounting Standards, other pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001. The preliminary final report is also in compliance with ASX listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E. Australian Accounting Standards include Australian equivalents of International Reporting Standards (“AIFRS”).

NOTE 2: REVENUE AND OTHER INCOME

	2019	2018
	\$	\$
REVENUE		
- Revenue from sale of goods and services	28,549,076	9,096,182
	28,549,076	9,096,182
OTHER INCOME		
- Interest income	50,667	6,267
- Sundry income	9,866	12,127
- Lapse of Convertible Note obligation (i)	333,431	-
	393,964	18,394

(i) 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 to Note 10.

NOTE 3: 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
- ASX and Share registry fees	67,751	32,951
- Motor vehicle expenses	163,204	91,510
- General administrative costs	344,345	324,690
	4,230,541	2,520,688

NOTE 3: EXPENSES (continued)

	2019 \$	2018 \$
FINANCE COSTS		
- Interest and associated borrowing costs to unrelated third parties	244,798	10,096
	244,798	10,096

NOTE 4: ACQUISITION OF SIMPEC PTY LTD

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

(a) Business 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 '*Business Combinations*', 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 \$
<i>Consideration</i>	
37.5 million fully paid ordinary shares on completion	937,500
37.5 million service-based performance securities (i)	-
25 million shares issued on the achievement of target EBITDA	-
Total consideration	<u>937,500</u>

(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.

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	<u>(54,698)</u>
Goodwill	992,198
Less impairment of goodwill (recognised in prior period)	<u>(992,198)</u>
	<u>-</u>

NOTE 4: ACQUISITION OF SIMPEC PTY LTD (continued)

(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.

NOTE 5: CASH AND CASH EQUIVALENTS

	2019 \$	2018 \$
Cash and bank balances	<u>10,068,300</u>	<u>1,711,826</u>
Balances as above	10,068,300	1,711,826
Bank overdraft	-	-
BALANCES PER STATEMENT OF CASHFLOWS	<u>10,068,300</u>	<u>1,711,826</u>

NOTE 6: OTHER ASSETS AND OTHER 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
	<u>5,835,136</u>	<u>306,673</u>

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
	<u>9,650,651</u>	<u>416,419</u>

NOTE 7: PROPERTY, PLANT AND EQUIPMENT

	2019 \$	2018 \$
Gross carrying value	970,246	893,498
Accumulated depreciation	(616,332)	(458,465)
Net carrying value	<u>353,914</u>	<u>435,033</u>

NOTE 7: PROPERTY, PLANT AND EQUIPMENT (continued)

	Leasehold Improvements	Plant & Equipment	Total
	\$	\$	\$
Gross carrying value			
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 charge	(39,945)	(117,922)	(157,867)
At 30 June 2019	(136,292)	(480,040)	(616,332)

NOTE 8: 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.

NOTE 9: TRADE AND OTHER PAYABLES

	2019	2018
	\$	\$
Trade payables	7,617,598	3,933,387
Sundry creditors and accruals	3,367,755	664,414
	10,985,353	4,597,801

NOTE 10: BORROWINGS

	2019	2018
	\$	\$
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 2) 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.

NOTE 11: OPERATING SEGMENTS

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

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

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

Distinct Developments Pty Ltd, 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)	1,466,725
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 profit (loss)	(1,095,477)	(1,184,752)	(21,024)	(2,301,253)
Other Income				18,394
Corporate & administration				(784,866)
Net operating Profit (Loss) after Tax				(3,067,725)

WestStar Industrial Limited
Notes to the Preliminary Financial Report

NOTE 11: OPERATING SEGMENTS (continued)

Segment reporting	Precast \$	SIMPEC \$	Distinct \$	Group \$
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				471,468
Corporate liabilities				(1,220,409)
Total asset & liabilities				(456,388)

NOTE 12: CONTINGENCIES AND COMMITMENTS

The Group has given bank guarantees as at 30 June 2019 of \$243,933 to various customers and suppliers.

Operating lease commitments

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

	2019 \$	2018 \$
Within one year	205,593	445,908
After one year but not more than five years	-	185,795
	205,593	631,703

Other than the above, there were no material contingencies as at 30 June 2019.

NOTE 13: SUBSEQUENT EVENTS

There were no matters or circumstances arising since the end of the reporting period that have significantly affected, or may significantly affect the operations of the 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.