GENCOR INDUSTRIES INC
Form 10-K
December 14, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10 K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Fiscal Year Ended September 30, 2012

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File No. 001-11703

GENCOR INDUSTRIES, INC.

Incorporated in the State of Delaware	**I.R.S. Employer Identification No. 59-0933147**

5201 North Orange Blossom Trail

Orlando, Florida 32810

Registrant s Telephone Number, Including Area Code: (407) 290-6000

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Common Stock ($.10 Par Value)

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: None

Indicate by check mark if the registrant is a well-known seasonal issuer, as defined in Rule 405 of the Securities Act. ¨ Yes þ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15 (d) of the Act. ¨ Yes þ No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. þ Yes ¨ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). þ Yes ¨ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of large accelerated filer and accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act (check one):

Large Accelerated Filer ¨	Accelerated Filer ¨
Non-Accelerated Filer ¨ (Do not check if a smaller reporting Company)	Smaller Reporting Company þ

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ¨ Yes þ No

The aggregate market value of the common equity held by non-affiliates computed by reference to the price at which the common equity was last sold as of the last business day of the most recently completed second fiscal quarter was $46,932,200.

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Indicate the number of shares outstanding of each of the Registrant s classes of Common Stock, as of the latest practicable date: 8,008,632 shares of Common Stock ($.10 par value) and 1,509,238 shares of Class B Stock ($.10 par value) as of December 3, 2012.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this Form 10-K is incorporated by reference from the Registrant s 2013 Proxy Statement for the Annual Meeting of the Stockholders.

Introductory Note: Caution Concerning Forward-Looking Statements

This annual report on Form 10-K (Report) and the Company s other communications and statements may contain forward-looking statements, including statements about the Company s beliefs, plans, objectives, goals, expectations, estimates, projections and intentions. These statements are subject to significant risks and uncertainties and are subject to change based on various factors, many of which are beyond the Company s control. The words may, could, should, would, believe, anticipate, estimate, expect, intend, plan, target, goal, and simila intended to identify forward-looking statements. All forward-looking statements, by their nature, are subject to risks and uncertainties. The Company s actual future results may differ materially from those set forth in the Company s forward-looking statements. For information concerning these factors and related matters, see Risk Factors in Part I, Item 1A in this Report, and Management s Discussion and Analysis of Financial Condition and Results of Operations in Part II, Item 7 in this Report. However, other factors besides those referenced could adversely affect the Company s results, and you should not consider any such list of factors to be a complete set of all potential risks or uncertainties. Any forward-looking statements made by the Company herein speak as of the date of this Report. The Company does not undertake to update any forward-looking statement, except as required by law.

PART I

ITEM 1. BUSINESS

General

Gencor Industries, Inc. and its subsidiaries (the Company , Gencor , we , us or our) is a leading manufacturer of heavy machinery used in the production of highway construction materials, synthetic fuels, and environmental control equipment. The Company s products are manufactured in two facilities in the United States. The Company s products are sold through a combination of Company sales representatives and independent dealers and agents located throughout the world.

The Company designs, manufactures and sells machinery and related equipment used primarily for the production of asphalt and highway construction materials. The Company s principal core products include asphalt plants, combustion systems and fluid heat transfer systems. The Company believes that its technical and design capabilities, environmentally friendly process technology, and wide range of products have enabled it to become a leading producer of highway construction materials, synthetic fuels and environmental control equipment worldwide. The Company believes it has the largest installed base of asphalt production plants in the United States.

Because the Company s products are sold primarily to the highway construction industry, the business is seasonal in nature. Traditionally, the Company s customers do not purchase new equipment for shipment during the summer and fall months to avoid disrupting their peak season for highway construction and repair work. The majority of orders for the Company s products are typically received between October and February, with a significant volume of shipments occurring prior to June. The principal factors driving demand for the Company s products are the level of government funding for domestic highway construction and repair, infrastructure development in emerging economies, the need for spare parts, and a trend towards larger plants resulting from industry consolidation.

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In 1968, the Company was formed by the merger of Mechtron Corporation with General Combustion, Inc. and Genco Manufacturing, Inc. The new entity reincorporated in Delaware in 1969 and adopted the name Mechtron International Corporation in 1970. In 1985, the Company began a series of acquisitions into related fields starting with the Beverley Group Ltd. in the United Kingdom (the UK). Hy-Way Heat Company, Inc. and the Bituma Group were acquired in 1986. In 1987, the Company changed its name to Gencor Industries, Inc. and acquired the Davis Line Inc. and its subsidiaries in 1988.

In 1998, the Company entered into agreements with Carbontronics, LLC (CLLC) pursuant to which the Company designed, manufactured, sold and installed four synthetic fuel production plants. In addition to payment for the plants, the Company received membership interests in two synthetic fuel entities (Synfuelcos). The Synfuelcos derived significant cash flow from the sale of synthetic fuel and tax credits (Internal Revenue Code, Section 29) and consequently distributed significant cash to the Company beginning in 2001 and through 2010.

The tax credit legislation expired at the end of calendar year 2007. Consequently, the four synthetic fuel plants were decommissioned. The plants were sold or transferred to site owners in exchange for a release of all contracted liabilities related to the removal of plants from the sites. Gencor no longer has any position in the Synfuelcos and to the best of our knowledge those entities have been dissolved.

Products

Asphalt Plants. The Company manufactures and produces hot-mix asphalt plants used in the production of asphalt paving materials. The Company also manufactures related asphalt plant equipment including hot mix storage silos, fabric filtration systems, cold feed bins and other plant components. The Company s H&B (Hetherington and Berner) product line is the world s oldest asphalt plant line, first manufactured in 1894. The Company s subsidiary, Bituma Corporation, formerly known as Boeing Construction Company, developed the first continuous process for asphalt production. Gencor developed and patented the first counter flow drum mix technology, several adaptations of which have become the industry standard, which recaptures and burns emissions and vapors, resulting in a cleaner and more efficient process. The Company manufactures a very comprehensive range of fully mobile batch plants, as well as trommel screens.

Combustion Systems and Industrial Incinerators. The Company manufactures combustion systems, which are large burners that can transform most solid, liquid or gaseous fuels into usable energy, or burn multiple fuels, alternately or simultaneously. Through its subsidiary General Combustion, the Company has been a significant source of combustion systems for the asphalt and aggregate drying industries since the 1950 s. The Company also manufactures soil remediation machinery, as well as combustion systems for rotary dryers, kilns, fume and liquid incinerators and fuel heaters. The Company believes maintenance and fuel costs are lower for its burners because of their superior design.

Fluid Heat Transfer Systems. The Company s General Combustion subsidiary also manufactures the Hy-Way heat and Beverley lines of thermal fluid heat transfer systems and specialty storage tanks for a wide array of industry uses. Thermal fluid heat transfer systems are similar to boilers, but use high temperature oil instead of water. Thermal fluid heaters have been replacing steam pressure boilers as the best method of heat transfer for storage, heating and pumping viscous materials (i.e., asphalt, chemicals, heavy oils, etc.) in many industrial and petrochemical applications worldwide. The Company believes the high efficiency design of its thermal fluid heaters can outperform competitive units in many types of process applications.

Product Engineering and Development

The Company is engaged in product engineering and development efforts to expand its product lines and to further develop more energy efficient and environmentally compatible systems.

Significant developments include the use of cost effective, non-fossil fuels, biomass (bagasse, municipal solid waste, sludge and wood waste), refuse-derived fuel, coal and coal mixtures, the economical recycling of old asphalt and new designs of environmentally compatible asphalt plants. Product engineering and development activities are directed toward more efficient methods of producing asphalt and lower cost fluid heat transfer systems. In addition, efforts are also focused on developing combustion systems that operate at higher efficiency and offer a higher level of environmental compatibility. The Company also continues to evaluate opportunities in the energy field.

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Sources of Supply and Manufacturing

Substantially all products and components sold by the Company and its subsidiaries are manufactured and assembled by the Company, except for procured raw materials and hardware. The Company purchases a large quantity of steel, raw materials and hardware used to manufacture its products from hundreds of suppliers and is not dependent on any single supplier. Periodically, the Company reviews the cost effectiveness of internal manufacturing versus outsourcing its product lines to independent third parties and currently believes it has the internal capability to produce the highest quality product at the lowest cost. This, however, may change from time to time.

Seasonality

The Company is concentrated in the asphalt-related business and subject to a seasonal slow-down during the third and fourth quarters of the calendar year. Traditionally, the Company s customers do not purchase new equipment for shipment during the summer and fall months to avoid disrupting their peak season for highway construction and repair work. This slow-down often results in lower reported sales and earnings and/or losses during the first and fourth quarters of the Company s fiscal year.

Competition

The markets for the Company s products are highly competitive. Within a given product line, the industry remains fairly concentrated, with typically a small number of companies competing for the majority of a product line s industry sales. The principal competitive factors include technology and overall product design. The Company believes it manufactures the heaviest equipment in the industry. In addition, dependability and reliability of performance, brand recognition, pricing and after-the-sale customer support are significant factors. Management believes its ability to compete depends upon its continual efforts to maintain and improve product performance, availability and dependability, competitively price its products, and provide the best customer support and service in the industry.

Sales and Marketing

The Company s products and services are marketed internationally through a combination of Company employed sales representatives and independent dealers and agents.

Sales Backlog

The Company s manufacturing processes allow for a relatively short turnaround from the order date to shipment date of usually less than ninety days. Therefore, the size of the Company s backlog should not be viewed as an indicator of the Company s annualized revenues or future financial results. The Company s backlog was approximately $7.8 million and $18.6 million as of December 1, 2012 and December 1, 2011, respectively.

Financial Information about Geographic Areas Reporting Segments

The Company sold its operations in the United Kingdom in June 2009. For a geographic breakdown of revenues and long-term assets see the table captioned Reporting Segments in Note 1 to the Consolidated Financial Statements.

Licenses, Patents and Trademarks

The Company holds numerous patents covering technology and applications related to various products, equipment and systems, and numerous trademarks and trade names registered with the U.S. Patent and Trademark Office and in various foreign countries. In general, the Company depends upon technological capabilities, manufacturing quality control and application know-how, rather than patents or other proprietary rights in the conduct of its business. The Company believes the expiration of any one of these patents, or a group of related patents, would not have a material adverse effect on the overall operations of the Company.

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Government Regulations

The Company believes its design and manufacturing processes meet all industry and governmental agency standards that may apply to its entire line of products, including all domestic and foreign environmental, structural, electrical and safety codes. The Company s products are designed and manufactured to comply with U.S. Environmental Protection Agency regulations. Certain state and local regulatory authorities have strong environmental impact regulations. While the Company believes that such regulations have helped, rather than restricted its marketing efforts and sales results, there is no assurance that changes to federal, state, local, or foreign laws and regulations will not have a material adverse effect on the Company s products and earnings in the future.

Environmental Matters

The Company is subject to various federal, state, local and foreign laws and regulations relating to the protection of the environment. The Company believes it is in material compliance with all applicable environmental laws and regulations. The Company does not expect any material impact on future operating costs as a result of compliance with currently enacted environmental regulations.

Employees

As of September 30, 2012, the Company employed a total of 263 employees. The Company has a collective bargaining agreement covering production and maintenance employees at its Marquette, Iowa facility. The remaining employees are not represented by a labor union or collective bargaining agreement.

Available Information

For further discussion concerning the Company s business, see the information included in Item 7 (Management s Discussion and Analysis of Financial Condition and Results of Operations) and Item 8 (Financial Statements and Supplementary Data) of this Report.

The Company makes available free of charge through its web site at www.gencor.com the Company s Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports, if applicable, filed or furnished pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after the material is electronically filed with or furnished to the Securities and Exchange Commission (SEC). The information posted on the web site is not incorporated into this Annual Report on Form 10-K.

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ITEM 1A. RISK FACTORS

The following risk factors and other information included in this Annual Report on Form 10-K should be carefully considered. The risks and uncertainties described below are not the only ones the Company faces. Additional risks and uncertainties not presently known to the Company or that the Company presently deems less significant may also impair the Company s business operations. If any of the following risks actually occur, the Company s business operating results and financial condition could be materially adversely affected. The order of these risk factors does not reflect their relative importance or likelihood of occurrence.

The business may be adversely affected by the current economic downturn.

The domestic and international economies have experienced a significant downturn. This downturn has been magnified by the tightening of the credit markets. The domestic and international markets may remain depressed for an undeterminable period of time. The Company s sales to contractors are dependent on construction and infrastructure spending and availability of credit to its customers. Changes in construction and governmental spending have had and could continue to have a material adverse effect on the Company s results of operations.

The business is affected by the cyclical nature of the markets it serves*.*

The demand for the Company s products and service is dependent on general economic conditions and more specifically, the commercial construction industry. Adverse economic conditions may cause customers to forego or delay new purchases and rely more on repairing existing equipment thus negatively impacting the Company s sales and profits. Rising gas and oil prices, increasing steel prices and shortage of qualified workers can have adverse effects on the Company. Market conditions could limit the Company s ability to raise selling prices to offset increases in inventory costs.

The business is affected by the level of government funding for highway construction in the United States and Canada.

Many contractors depend on funding by federal and state agencies for highway, transit and infrastructure programs. Future legislation may increase or decrease government spending, which if decreased, could have a negative affect on the Company s financial condition or results of operations. Federal funding allocated to infrastructure may be decreased in the future.

In fiscal year 2012 the Company depended on one customer for a significant portion of its revenue. The loss of this relationship could have adverse consequences on the Company s future business.

The percentage of the Company s net revenue that was derived from sales to one customer was 26% in fiscal 2012 and 7% in fiscal 2011. Prior to fiscal 2010, no customer accounted for more than 10% of annual net revenue.

If the Company fails to comply with requirements relating to internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act, the business could be harmed and its stock price could decline.

Rules adopted by the Securities and Exchange Commission pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 require the Company to assess its internal control over financial reporting annually. The rules governing the standards that must be met for management to assess its internal control over financial reporting are complex. They require significant documentation, testing, and possible remediation of any significant deficiencies in and/or material weaknesses of internal controls in order to meet the detailed standards under these rules. The Company has evaluated its internal control over financial reporting as effective as of September 30, 2012. See Item 9A Controls and Procedures Management s Annual Report on Internal Control over Financial Reporting. Although the Company has evaluated its internal control over financial reporting as effective as of September 30, 2012, in future fiscal years, the Company may encounter unanticipated delays or problems in assessing its internal control over financial reporting as effective or in completing its assessments by the required dates. In addition, the Company cannot assure you that its independent registered public accountants will attest that internal control over financial reporting are effective in future fiscal years. If the Company cannot assess its internal control over financial reporting as effective, investor confidence and share value may be negatively impacted.

The Company may be required to reduce its profit margins on contracts on which it uses the percentage-of-completion accounting method.

The Company records revenues and profits on many of its contracts using the percentage-of-completion method of accounting. As a result, revisions made to the estimates of revenues and profits are recorded in the period in which the conditions that require such revisions become known and can be estimated. Although the Company believes that its profit margins are fairly stated and that adequate provisions for losses for its fixed-price contracts are recorded in the financial statements, as required under U.S. generally accepted accounting principles (GAAP), the Company cannot assure you that its contract profit margins will not decrease or its loss provisions will not increase materially in the future.

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The Company may encounter difficulties with future acquisitions.

As part of its growth strategy, the Company intends to evaluate the acquisitions of other companies, assets or product lines that would complement or expand the Company s existing businesses or broaden its customer relationships. Although the Company conducts due diligence reviews of potential acquisition candidates, it may not be able to identify all material liabilities or risks related to potential acquisition candidates. There can be no assurance that the Company will be able to locate and acquire any business, retain key personnel and customers of an acquired business or integrate any acquired business successfully. Additionally, there can be no assurance that financing for any acquisition, if necessary, will be available on acceptable terms, if at all, or that the Company will be able to accomplish its strategic objectives in connection with any acquisition. Although the Company periodically considers possible acquisitions, no specific acquisitions are probable as of the date of this Report on Form 10-K.

Demand for the Company s products is cyclical in nature.

Orders for the Company s products slow down during the summer and fall months since its customers generally do not purchase new equipment for shipment in their peak season for highway construction and repair work. In addition, demand for the Company s products depends in part upon the level of capital and maintenance expenditures by the highway construction industry. The highway construction industry historically has been cyclical in nature and vulnerable to general downturns in the economy. Decreases in industry spending could have a material adverse effect upon demand for the Company s products and negatively impact its business, financial condition, results of operations and the market price of its common stock.

The Company s marketable securities are comprised of cash and cash equivalents, stocks and bonds invested through a professional investment management firm and are subject to various risks such as interest rates, markets, and credit.

Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of securities, changes in these risk factors could have a material adverse impact on the Company s results of operations.

There are and will continue to be quarterly fluctuations of the Company s operating results.

The Company s operating results historically have fluctuated from quarter to quarter as a result of a number of factors, including the value, timing and shipment of individual orders and the mix of products sold. Revenues from certain large contracts are recognized using the percentage of completion method of accounting. The Company recognizes product revenues upon shipment for the rest of its products. The Company s asphalt production equipment operations are subject to seasonal fluctuation, which may lower revenues and result in possible losses in the first and fourth fiscal quarters of each year. Traditionally, asphalt producers do not purchase new equipment for shipment during the summer and fall months to avoid disruption of their activities during peak periods of highway construction.

If the Company is unable to attract and retain key personnel, its business could be adversely affected.

The success of the Company will continue to depend substantially upon the efforts, abilities and services of its management team and certain other key employees. The loss of one or more key employees could adversely affect the Company s operations. The Company s ability to attract and retain qualified personnel, either through direct hiring, or acquisition of other businesses employing such persons, will also be an important factor in determining its future success.

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The Company may be required to defend its intellectual property against infringement or against infringement claims of others.

The Company holds numerous patents covering technology and applications related to various products, equipment and systems, and numerous trademarks and trade names registered with the U.S. Patent and Trademark Office and in various foreign countries. There can be no assurance as to the breadth or degree of protection that existing or future patents or trademarks may afford the Company, or that any pending patent or trademark applications will result in issued patents or trademarks, or that the Company s patents, registered trademarks or patent applications, if any, will be upheld if challenged, or that competitors will not develop similar or superior methods or products outside the protection of any patents issued, licensed or sublicensed to the Company. Although the Company believes that none of its patents, technologies, products or trademarks infringe upon the patents, technologies, products or trademarks of others, it is possible that the Company s existing patents, trademarks or other rights may not be valid or that infringement of existing or future patents, trademarks or proprietary rights may occur. In the event that the Company s products are deemed to infringe upon the patent or proprietary rights of others, the Company could be required to modify the design of its products, change the name of its products or obtain a license for the use of certain technologies incorporated into its products. There can be no assurance that the Company would be able to do any of the foregoing in a timely manner, upon acceptable terms and conditions, or at all, and the failure to do so could have a material adverse effect on the Company. In addition, there can be no assurance that the Company will have the financial or other resources necessary to enforce or defend a patent, registered trademark or other proprietary right, and, if the Company s products are deemed to infringe upon the patents, trademarks or other proprietary rights of others, the Company could become liable for damages, which could also have a material adverse effect on the Company.

The Company may be subject to substantial liability for the products it produces.

The Company is engaged in a business that could expose it to possible liability claims for personal injury or property damage due to alleged design or manufacturing defects in its products. The Company believes that it meets existing professional specification standards recognized or required in the industries in which it operates, and there are no material product liability claims pending against the Company as of the date hereof. Although the Company currently maintains product liability coverage which it believes is adequate for the continued operation of its business, such insurance may prove inadequate or become difficult to obtain or unobtainable in the future on terms acceptable to the Company.

The Company is subject to extensive environmental laws and regulations, and the costs related to compliance with, or the Company s failure to comply with, existing or future laws and regulations, could adversely affect the business and results of operations.

The Company s operations are subject to federal, state, local and foreign laws and regulations relating to the protection of the environment. Sanctions for noncompliance may include revocation of permits, corrective action orders, significant administrative or civil penalties and criminal prosecution. The Company s business involves environmental management and issues typically associated with historical manufacturing operations. To date, the Company s cost of complying with environmental laws and regulations has not been material, but the fact that such laws or regulations are changed frequently makes predicting the cost or impact of such laws and regulations on the Company s future operations uncertain.

The loss of one or more of the Company s raw materials suppliers, or increase in prices, could cause production delays, a reduction of revenues or an increase in costs.

The principal raw materials the Company uses are steel and related products. The Company has no long-term supply agreements with any of its major suppliers. However, the Company has generally been able to obtain sufficient supplies of raw materials for its operations. Although the Company believes that such raw materials are readily available from alternate sources, an interruption in the supply of steel and related products or a substantial increase in the price of any of these raw materials could have a material adverse effect on the Company s business, financial condition and results of operations.

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The Company is subject to significant government regulations.

The Company is subject to a variety of governmental regulations relating to the manufacturing of its products. Any failure by the Company to comply with present or future regulations could subject it to future liabilities, or the suspension of production that could have a material adverse effect on the Company s results of operations. Such regulations could also restrict the Company s ability to expand its facilities, or could require the Company to acquire costly equipment or to incur other expenses to comply with such regulations. Although the Company believes it has the design and manufacturing capability to meet all industry or governmental agency standards that may apply to its product lines, including all domestic and foreign environmental, structural, electrical and safety codes, there can be no assurance that governmental laws and regulations will not become more stringent over time, imposing greater compliance costs and increasing risks and penalties associated with a violation. The cost to the Company of such compliance to date has not materially affected its business, financial condition or results of operations. There can be no assurance, however, that violations will not occur in the future as a result of human error, equipment failure or other causes. The Company s customers are also subject to extensive regulations, including those related to the workplace. The Company cannot predict the nature, scope or effect of governmental legislation, or regulatory requirements that could be imposed or how existing or future laws or regulations will be administered, or interpreted. Compliance with more stringent laws or regulations, as well as more vigorous enforcement policies of regulatory agencies, could require substantial expenditures by the Company and could adversely affect its business, financial condition and results of operations.

The Company s management has effective voting control.

The Company s officers and directors beneficially own an aggregate of approximately 96.8% of the outstanding shares of the Company s $.10 par value Class B stock. The Class B stock is entitled to elect 75% (calculated to the nearest whole number, rounding five-tenths to next highest whole number) of the members of its Board of Directors. Further, approval of a majority of the Class B stock is generally required to effect a sale of the Company and certain other corporate transactions. As a result, these stockholders can elect more than a majority of the Board of Directors and exercise significant influence over most matters requiring approval by the Company s stockholders. This concentration of control may also have the effect of delaying or preventing a change in control.

The issuance of preferred stock may impede a change of control or may be dilutive to existing stockholders.

The Company s Certificate of Incorporation, as amended, authorizes the Company s Board of Directors, without stockholder vote, to issue up to 300,000 shares of preferred stock in one or more series and to determine for any series the dividend, liquidation, conversion, voting or other preferences, rights and terms that are senior, and not available, to the holders of the Company s common stock. Thus, issuances of series of preferred stock could adversely affect the relative voting power, distributions and other rights of the common stock. The issuance of preferred stock could deter or impede a merger, tender offer or other transaction that some, or a majority of the Company s common stockholders might believe to be in their best interest or in which the Company s common stockholders might receive a premium for their shares over the then current market price of such shares.

The Company may be required to indemnify its directors and executive officers.

The Company has authority under Section 145 of the Delaware General Corporation Law to indemnify its directors and officers to the extent provided in that statute. The Company s Certificate of Incorporation, as amended, provides that a director shall not be personally liable to the Company for breach of fiduciary duty as a director, except to the extent such exemption from liability or limitation thereof is not permitted under the Delaware General Corporation Law. The Company s Bylaws provide in part that it indemnify each of its directors and officers against liabilities imposed upon them (including reasonable amounts paid in settlement) and expenses incurred by them in connection with any claim made against them or any action, suit or proceeding to which they may be a party by reason of their being or having been a director or officer. The Company maintains officer s and director s liability insurance coverage. There can be no assurance that such insurance will be available in the future, or that if available, it will be available on terms that are acceptable to the Company. Furthermore, there can be no assurance that the insurance coverage provided will be sufficient to cover the amount of any judgment awarded against an officer or director (either individually or in the aggregate). Consequently, if such judgment exceeds the coverage under the policy, the Company may be forced to pay such difference.

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The Company enters into indemnification agreements with each of its executive officers and directors containing provisions that may require the Company, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as officers or directors (other than liabilities arising from willful misconduct of a culpable nature) and to advance their expenses incurred as a result of any proceeding against them as to which they could be indemnified. Management believes that such indemnification provisions and agreements are necessary to attract and retain qualified persons as directors and executive officers.

The Company does not expect to pay dividends for the foreseeable future.

For the foreseeable future, the Company intends to retain any earnings to finance its business requirements, and it does not anticipate paying any cash dividends on its common stock or Class B stock. Any future determination to pay dividends will be at the discretion of the Company s Board of Directors and will be dependent upon then existing conditions, including the financial condition and results of operations, capital requirements, contractual restrictions, business prospects, and other factors that the Board of Directors considers relevant.

Competition could reduce revenue from the Company s products and services and cause it to lose market share.

The Company currently faces strong competition in product performance, price and service. Some of the Company s national competitors have greater financial, product development and marketing resources than the Company. If competition in the Company s industry intensifies or if the current competitors enhance their products or lower their prices for competing products, the Company may lose sales or be required to lower the prices it charges for its products. This may reduce revenues from the Company s products and services, lower its gross margins or cause it to lose market share.

The Company s quarterly operating results are likely to fluctuate, which may decrease its stock price.

The Company s quarterly revenues, expenses and operating results have varied significantly in the past and are likely to vary significantly from quarter to quarter in the future. As a result, the Company s operating results may fall below the expectations of securities analysts and investors in some quarters, which could result in a decrease in the market price of its common stock. The reasons the Company s quarterly results may fluctuate include:

- General competitive and economic conditions
- Delays in, or uneven timing in, delivery of customer orders
- The seasonal nature of the industry
- The introduction of new products by the Company or its competitors
- Product supply shortages, and
- Reduced demand due to adverse weather conditions.

Period-to-period comparisons of such items should not be relied on as indications of future performance.

The Company s stock has been, and likely will continue to be, subject to substantial price and volume fluctuations due to a number of factors, many of which will be beyond the Company s control.

The market price of the Company s common stock may be significantly affected by various factors such as:

Quarterly variations in operating results

Changes in revenue growth rates as a whole or for specific geographic areas or products

Changes in earnings estimates by market analysts

The announcement of new products or product enhancements by the Company or its competitors

Speculation in the press or analyst community, and

General market conditions or market conditions specific to particular industries.

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ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTIES

The following table lists the operating properties owned by the Company as of September 30, 2012:

Location	Owned Acreage	Building Square Footage	Principal Function
Marquette, Iowa	72.0	137,000	Offices and manufacturing
Orlando, Florida	27.0	215,000	Corporate offices and manufacturing

ITEM 3. LEGAL PROCEEDINGS

The Company has various litigation and claims, either as a plaintiff or defendant, pending as of the date of this Form 10-K which have occurred in the ordinary course of business, and which may be covered in whole or in part by insurance. Management has reviewed all litigation matters arising in the ordinary course of business and, upon advice of counsel, has made provisions, not deemed material, for any estimable losses and expenses of litigation.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted during the fourth quarter of this fiscal year to a vote of security holders.

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PART II

ITEM 5. MARKET FOR THE REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER S PURCHASES OF EQUITY SECURITIES

The Company s stock has been traded on the NASDAQ Global Market under the symbol GENC since December 20, 2007.

Following are the high and low closing prices for the Company s common stock for the periods indicated:

2012	HIGH	LOW
First Quarter	$ 7.25	$ 6.75
Second Quarter	$ 7.45	$ 6.70
Third Quarter	$ 7.55	$ 6.76
Fourth Quarter	$ 7.94	$ 7.22
2011	**HIGH**	**LOW**
First Quarter	$ 7.62	$ 6.94
Second Quarter	$ 8.10	$ 7.17
Third Quarter	$ 8.03	$ 7.45
Fourth Quarter	$ 7.75	$ 7.11

As of September 30, 2012, there were 276 holders of common stock of record and 5 holders of Class B Stock of record. The Company has not paid any dividends during the last two fiscal years and there is no intention to pay cash dividends in the foreseeable future.

EQUITY COMPENSATION PLANS

The following table includes information about the Company s common stock that may be issued upon exercise of options, warrants and rights under all of the existing equity compensation plans and arrangements previously approved by security holders as of September 30, 2012:

Plan	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (excluding securities reflected in column (a))
1997 Stock Option Plan	27,500	$ 9.320	
2009 Incentive Compensation Plan	318,000	$ 7.655	642,000(b)

(b) Includes 160,000 of Class B securities

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COMPARATIVE 5 YEAR CUMULATIVE RETURN GRAPH

The following graph sets forth the cumulative total stockholder return (assuming reinvestment of dividends) to the Company s stockholders during the five-year period ended September 30, 2012, as well as the Wilshire Small Capitalization Index and the Dow Jones Heavy Construction Index. The stock performance assumes $100 was invested on October 1, 2007.

Comparison of Cumulative Total Return among Gencor Industries, Inc., the

Wilshire Small Capitalization Index and the Dow Jones Heavy Construction Index

With Base Year of 2007:	9/30/2007	9/30/2008	9/30/2009	9/30/2010	9/30/2011	9/30/2012
Gencor Industries, Inc.	100.00	81.62	86.87	72.12	73.23	74.75
DJ Heavy Construction Index	100.00	63.89	60.34	56.81	49.52	64.99
Wilshire Small Cap Index	100.00	79.37	76.32	83.76	85.44	111.77

On December 12, 2012, the Company s stock was available for trading on the NASDAQ Global Market under the symbol GENC .

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ITEM 6. SELECTED FINANCIAL DATA

	Years Ended September 30				
	2012	2011	2010	2009	2008
	(in thousands, except per share data)				
Net Revenue	$ 63,182	$ 59,692	$ 55,587	$ 56,789	$ 88,343
Operating Income (Loss)	393	(1,743)	(3,049)	(4,769)	6,848
Net Income (Loss)	4,472	224	2,969	(2,551)	15,247
Per Share Data:					
Basic Net Income (Loss)	$ 0.47	$ 0.02	$ 0.31	$ (0.27)	$ 1.59
Diluted Net Income (Loss)	$ 0.47	$ 0.02	$ 0.31	$ (0.27)	$ 1.59

Selected Balance Sheet Data:	September 30				
	2012	2011	2010	2009	2008
	(in thousands)				
Current Assets	$ 102,090	$ 95,424	$ 99,096	$ 95,806	$ 105,216
Current Liabilities	5,878	5,576	6,174	5,707	12,807
Total Assets	110,312	104,375	107,227	104,457	114,217
Long Term Debt					
Shareholders Equity	103,460	98,799	98,528	96,297	99,015

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ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Information

This Form 10-K contains certain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), which represent the Company s expectations and beliefs, including, but not limited to, statements concerning gross margins, sales of the Company s products and future financing plans, income from investees and litigation. These statements by their nature involve substantial risks and uncertainties, certain of which are beyond the Company s control. Actual results may differ materially depending on a variety of important factors, including the financial condition of the Company s customers, changes in the economic and competitive environments, the performance of the investment portfolio and the demand for the Company s products.

For information concerning these factors and related matters, see Risk Factors in Part I, Item 1A in this Report. However, other factors besides those referenced could adversely affect the Company s results, and you should not consider any such list of factors to be a complete set of all potential risks or uncertainties. Any forward-looking statements made by the Company herein speak as of the date of this Report. The Company does not undertake to update any forward-looking statement, except as required by law.

Overview

Gencor Industries, Inc., (the Company) is a leading manufacturer of heavy machinery used in the production of highway construction materials, synthetic fuels, and environmental control equipment. The Company s core products include asphalt plants, combustion systems and fluid heat transfer systems. The Company s products are manufactured in two facilities in the United States.

Because the Company s products are sold primarily to the highway construction industry, the business is seasonal in nature. Traditionally, the Company s customers do not purchase new equipment for shipment during the summer and fall months to avoid disrupting their peak season for highway construction and repair work. The majority of orders for the Company s products are thus received between October and February, with a significant volume of shipments occurring prior to June. The principal factors driving demand for the Company s products are the overall economic conditions, the level of government funding for domestic highway construction and repair, infrastructure development in emerging economies, the need for spare parts, fluctuations in the price of crude oil (liquid asphalt as well as fuel costs), and a trend towards larger plants resulting from industry consolidation.

In August 2005, the federal government passed the Safe, Accountable, Flexible and Efficient Transportation Equity Act A Legacy for Users (SAFETEA-LU). This bill appropriated a multi-year guaranteed funding of $286.5 billion for federal highway, transit and safety programs that expired on September 30, 2009. On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act of 2009 (ARRA), which included approximately $27.5 billion for highway and bridge construction activities. The ARRA and any future legislation approved by Congress could reduce infrastructure funding levels. In addition, funding restrictions can be imposed on states that do not comply with certain federal policies. On March 18, 2010, President Obama signed into law the Hiring Incentives to Restore Employment (HIRE) Act. This law extended authorization of the surface transportation programs previously funded under SAFETEA-LU through December 31, 2010 at 2009 levels. In addition, the HIRE Act authorized a one-time transfer of $19.5 billion from the general fund to the highway trust fund related to previously foregone interest payments. On December 22, 2010, President Obama signed into law the Continuing Appropriations and Surface Transportation Extensions Act, 2011 extending funding for federal surface transportation programs authorized under SAFETEA-LU through March 4, 2011. On March 4, 2011, President Obama signed into law the Surface Transportation Extension Act of 2011 providing an extension of Federal-aid highway, transit and other programs funded out of the Highway Trust Fund through September 30, 2011. On September 17, 2011, President Obama signed an eighth extension of SAFETEA-LU, authorizing funding at 2011 levels through March 31, 2012, and on March 30, 2012, the President signed into law the Surface Transportation Extension Act of 2012, a 90-day extension of the existing federal transportation reauthorization. The bill contained no policy changes and extended current programs and funding levels through June 30, 2012, pending enactment of a multi-year law reauthorizing such programs.

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On July 6, 2012, President Obama signed a $118 billion transportation bill, Moving Ahead for Progress in the 21st Century Act (MAP-21). MAP-21 includes a final three-month extension of SAFETEA-LU at current spending levels combined with a new two-year, $105 billion authorization of the federal highway, transit, and safety programs effective October 1, 2012. The new bill will provide states and communities with two years of steady funding needed to build roads, bridges, and transit systems. The Company believes this will have a modest impact on the road construction industry and will allow its customers to plan and execute longer term projects.

In addition, the Canadian government enacted major infrastructure stimulus programs which have benefitted the Company. In 2007, the Building Canada Plan provided $33 billion in infrastructure funding through 2014. As part of the Building Canada Plan, the Gas Tax Fund was approved in 2009, providing $2 billion in annual infrastructure spending. The Infrastructure Canada Plan provided $4 billion additional infrastructure funding from 2009 through 2011.

The economic downturn over the past several years and the lack of a multi-year federal highway bill have resulted in reduced purchasing within the Company s served markets. This had an adverse impact on sales and pricing pressures on the Company s products, resulting in lower revenues and margins.

In addition to government funding and the overall economic conditions, fluctuations in the price of oil, which is a major component of asphalt mix, may affect the Company s financial performance. An increase in the price of oil increases the cost of liquid asphalt and could, therefore, decrease demand for asphalt and certain of the Company s products. Increases in oil prices also drive up the cost of gasoline, which results in increased freight costs. Where possible, the Company will pass increased freight costs on to its customers. However, the Company may not be able to recapture all of the increased costs and thus could have a negative impact on the Company s financial performance.

Steel is a major component used in manufacturing the Company s equipment. Fluctuations in the price of steel can have a significant impact on the Company s financial results. Where possible, the Company will pass on increased steel costs to its customers. However, the Company may not be able to recapture all of the increased steel costs and thus its financial results could be negatively affected.

For the long term, the Company believes its strategy of continuing to invest in product engineering and development and its focus on delivering high-quality products and superior service will strengthen the Company s market position when demand for its products rebound. In response to the short-term outlook, the Company has taken actions to conserve cash, right-size its operations and cost structure. These actions included adjustments to workforce, reduced purchases of raw materials and reductions in administrative expenses. The Company continues to review its internal processes to identify inefficiencies and cost reductions and will continue reviewing its relationships with suppliers to ensure the Company is achieving the highest quality products and services at the most competitive prices.

Results of Operations

Year ended September 30, 2012 compared with the year ended September 30, 2011

Net revenues for the year ended September 30, 2012 increased 5.8% or $3.5 million to $63.2 million from $59.7 million for the year ended September 30, 2011. The increase in net revenues was the result of the Company selling larger asphalt plants as well as continued strong sales in Canada.

Gross margins for fiscal 2012 were $12.0 million, or 19.0% of net revenues, versus $9.4 million in 2011, or 15.8% of net revenues. Gross margin increased in 2012 due to the higher revenues and improved manufacturing efficiencies.

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Product engineering and development expenses increased $128,000 to $2,339,000 in 2012 consistent with the increased revenues. Selling, general and administrative expenses increased $352,000 to $9,298,000 in 2012 compared to 2011 primarily due to higher legal expenses.

Fiscal 2012 had operating income of $393,000 versus an operating loss of $(1,743,000) in 2011. The improved results in 2012 were due to increased revenues and margins.

As of September 30, 2012 and 2011, the cost basis of the investment portfolio was $80.6 million and $76.3 million, respectively. $2.5 million of cash from operations was transferred into the investment portfolio during fiscal 2012. In each of years ended September 30, 2012 and September 30, 2011, net investment interest and dividend income (Investment Income) was $2.3 million. The net realized and unrealized gains on marketable securities were $4.1 million in 2012 versus net realized and unrealized losses of $(3.1) million in 2011. Total cash and investment balance at September 30, 2012 was $84.7 million compared to the September 30, 2011 cash and investment balance of $74.2 million.

The effective income tax rate for 2012 was 34.7% whereas the effective income tax rate was a benefit of 108.8% for 2011. The tax benefit in fiscal 2011 was primarily due to a decrease of $1,724,000 in unrecognized tax benefits following the conclusion of examinations by a state taxing authority during the second fiscal quarter of 2011. The change in the effective tax rate between years is also due to operating income incurred during 2012 versus losses in 2011, and the effect of tax exempt interest income in the respective years (see Note 6 to Consolidated Financial Statements).

Net income for the year ended September 30, 2012 was $4,472,000 or $.47 per share versus $224,000 or $.02 per share for the year ended September 30, 2011.

Liquidity and Capital Resources

The Company generates capital resources through operations and returns on its investments.

The Company had no long term debt outstanding at September 30, 2012 or 2011. The Company does not currently require a credit facility but continues to review and evaluate its needs and options for such a facility. As of September 30, 2012, the Company has funded $402,000 in cash deposits at insurance companies to cover related collateral needs.

As of September 30, 2012, the Company had $3.4 million in cash and cash equivalents, and $81.4 million in marketable securities. The marketable securities are invested through a professional investment management firm. The securities may be liquidated at any time into cash and cash equivalents.

The Company s backlog was $3.4 million at September 30, 2012 versus $6.5 million at September 30, 2011. The Company s working capital (defined as current assets less current liabilities) was $96.2 million at September 30, 2012 versus $89.8 million at September 30, 2011. Deferred taxes went from a net deferred tax asset of $1,187,000 as of September 30, 2011 to a net deferred tax liability of $974,000 as of September 30, 2012. The primary reason for the change was related to unrealized returns on marketable equity securities which went from net unrealized losses of $3,789,000 (a deferred tax asset of $1,413,000) at September 30, 2011 to net unrealized gains of $807,000 (a deferred tax liability of $310,000) at September 30, 2012 (refer to Note 6 to consolidated Financial Statements). Costs and estimated earnings in excess of billings decreased $1.0 million primarily due to the reduced level of activity on percentage of completion jobs at the end of fiscal 2012 as compared to fiscal 2011. Inventories were reduced $960,000 as the Company continued its effort to drive down its investment in inventory to match the lower level of operations and produce cash. Prepaid expenses decreased $850,000 primarily from the return of cash deposits used as collateral at insurance companies that were no longer required.

Cash provided by operations during the year ended September 30, 2012 was $2,517,000. The cash used for investing activities during the year ended September 30, 2012 of $871,000 was related to capital expenditures, primarily manufacturing equipment.

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There were no cash disbursements or receipts during the years ended September 30, 2012 or 2011 related to financing activities.

Critical Accounting Policies, Estimates and Assumptions

The Company believes the following discussion addresses it s most critical accounting policies, which are those that are most important to the portrayal of the Company s financial condition and results of operations and require management s most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Accounting policies, in addition to the critical accounting policies referenced below, are presented in Note 1 to the Consolidated Financial Statements, Accounting Policies.

Estimates and Assumptions

In preparing the Consolidated Financial Statements, the Company uses certain estimates and assumptions that may affect reported amounts and disclosures. Estimates and assumptions are used, among other places, when accounting for certain revenue (e.g. contract accounting), expense, and asset and liability valuations. The Company believes that the estimates and assumptions made in preparing the Consolidated Financial Statements are reasonable, but are inherently uncertain. Assumptions may be incomplete or inaccurate and unanticipated events may occur. The Company is subject to risks and uncertainties that may cause actual results to differ from estimated results.

Revenues & Expenses

Revenues from contracts for the design, manufacture and sale of asphalt plants are recognized under the percentage-of-completion method. The percentage-of-completion method of accounting for these contracts recognizes revenue, net of any promotional discounts, and costs in proportion to actual labor costs incurred as compared with total estimated labor costs expected to be incurred during the entire contract. Pre-contract costs are expensed as incurred. Changes to total estimated contract costs or losses, if any, are recognized in the period in which they are determined. Revenue recognized in excess of amounts billed is classified as current assets under costs and estimated earnings in excess of billings. The Company anticipates that all incurred costs associated with these contracts at September 30, 2012, will be billed and collected within one year.

Revenues from all other contracts for the design and manufacture of custom equipment, for service and for parts sales, net of any discounts and return allowances, are recorded when the following four revenue recognition criteria are met: product is delivered or service is performed, persuasive evidence of an arrangement exists, the selling price is fixed or determinable, and collectability is reasonably assured.

Returns and allowances, which reduce product revenue, are estimated using historical experience. Provisions for estimated returns and allowances and other adjustments are provided for in the same period the related sales are recorded.

Product warranty costs are estimated using historical experience and known issues and are charged to production costs as revenue is recognized.

All product engineering and development costs, and selling, general and administrative expenses are charged to operations as incurred. Provision is made for any anticipated contract losses in the period that the loss becomes evident.

The allowance for doubtful accounts is determined by performing a specific review of all account balances greater than 90 days past due and other higher risk amounts to determine collectability and also adjusting for any known customer payment issues with account balances in the less than 90 day past due aging buckets. Account balances are charged off against the allowance for doubtful accounts when they are determined to be uncollectable. Any recoveries of account balances previously considered in the allowance for doubtful accounts reduce future additions to the allowance for doubtful accounts.

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Investments

Marketable debt and equity securities are categorized as trading securities and are thus marked to market and stated at fair value. Fair value is determined using the quoted closing or latest bid prices for Level 1 investments and market standard valuation methodologies for Level 2 investments. Realized gains and losses on investment transactions are determined by specific identification and are recognized as incurred in the consolidated statements of operations. Net unrealized gains and losses are reported in the consolidated statements of operations in the current period and represent the change in the fair value of investment holdings during the period.

Long Lived Asset Impairment

Property and equipment and intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset (or asset group) may not be recoverable. An impairment loss would be recognized when the carrying amount of an asset exceeds the estimated undiscounted cash flows expected to result from the use of the asset and its eventual disposition. The amount of the impairment loss to be recorded is calculated by the excess over its fair value of the asset s carrying value. Fair value is generally determined using a discounted cash flow analysis.

Inflation

The overall effects of inflation on the Company s business during the periods discussed have not been significant. The Company monitors the prices it charges for its products and services on an ongoing basis and believes that it will be able to adjust those prices to take into account future changes in the rate of inflation.

Contractual Obligations

The following table summarizes the outstanding borrowings and long-term contractual obligations at September 30, 2012:

	Total	Less than 1 Year	1 3 Years
Operating leases	$ 60,000	$ 28,000	$ 32,000

The Company had no long-term or short-term debt as of September 30, 2012. There was no long-term debt facility in place and there were no outstanding letters of credit at September 30, 2012.

Off-Balance Sheet Arrangements

None

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company operates manufacturing facilities and sales offices at two locations in the United States. The Company is subject to business risks inherent in non-U.S. activities, including political and economic uncertainty, import and export limitations, and market risk related to changes in interest rates and foreign currency exchange rates. Periodically, the Company may use derivative financial instruments consisting primarily of interest rate hedge agreements to manage exposures to interest rate changes. The Company s objective in managing its exposure to changes in interest rates on any future variable rate debt is to limit the impact on earnings and cash flow and reduce overall borrowing costs.

At September 30, 2012 and 2011 the Company had no debt outstanding. At September 30, 2012 there was no credit facility in place. The Company does not currently require a credit facility but continues to review and evaluate its needs and options for such a facility.

The Company s marketable securities are invested in stocks and corporate and municipal bonds through a professional investment advisor. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of securities, it is possible that changes in these risk factors could have an adverse material impact on the Company s results of operations or equity.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

GENCOR INDUSTRIES, INC.

All other schedules are omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

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GENCOR INDUSTRIES, INC.

MANAGEMENT ASSESSMENT REPORT

The management of Gencor Industries, Inc. (the Company) is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. The Company s internal control system is designed to provide reasonable assurance to the Company s management and board of directors regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. There are inherent limitations in the effectiveness of all internal control systems no matter how well designed. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to the preparation and presentation of financial statements. Furthermore, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of a change in circumstances or conditions.

In order to ensure that the Company s internal control over financial reporting is effective, management regularly assesses such controls and did so most recently as of September 30, 2012. This assessment was based on criteria for effective internal control over financial reporting described in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management believes the Company maintained effective internal control over financial reporting as of September 30, 2012.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Gencor Industries, Inc.:

We have audited the accompanying consolidated balance sheets of Gencor Industries, Inc. as of September 30, 2012 and 2011, and the related consolidated statements of operations, shareholders equity and cash flows for each of the years in the two-year period ended September 30, 2012. Gencor s management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Gencor Industries, Inc. as of September 30, 2012 and 2011, and the consolidated results of its operations, changes in shareholders equity and its cash flows for each of the years in the two-year period ended September 30, 2012 in conformity with accounting principles generally accepted in the United States of America.

/s/ MOORE STEPHENS LOVELACE, P.A.

MOORE STEPHENS LOVELACE, P.A.

Certified Public Accountants

Orlando, Florida

December 14, 2012

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Part I. Financial Information

GENCOR INDUSTRIES, INC.

Consolidated Balance Sheets

As of September 30, 2012 and 2011

	2012	2011
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,361,000	$ 1,715,000
Marketable securities at fair value (Cost of $80,568,000 at September 30, 2012 and $76,275,000 at September 30, 2011)	81,375,000	72,486,000
Account receivable, less allowance for doubtful accounts of $368,000 at September 30, 2012 and $582,000 at September 30, 2011	1,206,000	1,573,000
Costs and estimated earnings in excess of billings	3,448,000	4,450,000
Inventories, net	11,918,000	12,878,000
Deferred income taxes		690,000
Prepaid expenses	782,000	1,632,000
Total current assets	102,090,000	95,424,000
Property and equipment, net	8,127,000	8,349,000
Other assets	95,000	602,000
Total Assets	$ 110,312,000	$ 104,375,000
LIABILITIES AND SHAREHOLDERS EQUITY		
Current Liabilities:		
Account payable	$ 1,881,000	$ 1,978,000
Customer deposits	480,000	756,000
Accrued expenses	3,517,000	2,842,000
Total current liabilities	5,878,000	5,576,000
Deferred and other income taxes	974,000	
Total liabilities	6,852,000	5,576,000
Commitments and contingencies		
Shareholders equity:		
Preferred stock, par value $.10 per share; 300,000 shares authorized; none issued		
Common stock, par value $.10 per share; 15,000,000 shares authorized; 8,008,632 shares issued and outstanding at September 30, 2012 and 2011	801,000	801,000
Class B Stock, par value $.10 per share; 6,000,000 shares authorized; 1,509,238 shares issued and outstanding at September 30, 2012 and 2011	151,000	151,000

Capital in excess of par value	10,049,000	9,860,000
Retained earnings	92,459,000	87,987,000
Total shareholders equity	103,460,000	98,799,000
Total Liabilities and Shareholders Equity	$ 110,312,000	$ 104,375,000

See accompanying Notes to Consolidated Financial Statements

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GENCOR INDUSTRIES, INC.

Consolidated Statements of Operations

For the Years Ended September 30, 2012 and 2011

	2012	**2011**
Net revenue	$ 63,182,000	$ 59,692,000
Costs and expenses:		
Production costs	51,152,000	50,278,000
Product engineering and development	2,339,000	2,211,000
Selling, general and administrative	9,298,000	8,946,000
	62,789,000	61,435,000
Operating income (loss)	393,000	(1,743,000)
Other income (expenses):		
Interest and dividend income, net of fees	2,269,000	2,256,000
Realized and unrealized gains (losses) on marketable securities	4,120,000	(3,113,000)
Other	70,000	66,000
	6,459,000	(791,000)
Income (loss) before income taxes	6,852,000	(2,534,000)
Income tax expense (benefit)	2,380,000	(2,758,000)
Net income	$ 4,472,000	$ 224,000
Basic earnings per common share:		
Net income	$ 0.47	$ 0.02
Diluted earnings per common share:		
Net income	$ 0.47	$ 0.02

See accompanying Notes to Consolidated Financial Statements

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GENCOR INDUSTRIES, INC.

Consolidated Statements of Shareholders Equity

For the Years Ended September 30, 2012 and 2011

(in thousands)

	Common Stock		Common Stock Held in Treasury		Class B Stock		Capital in Excess of	Retained	Total Shareholders
	Shares	Amount	Shares	Amount	Shares	Amount	Par Value	Earnings	Equity
September 30, 2010	8,104	$ 810	(95)	$ (738)	1,509	$ 151	$ 10,542	$ 87,763	$ 98,528
Net income								224	224
Treasury shares retired	(95)	(9)	95	738			(729)		
Stock-based compensation							47		47
September 30, 2011	8,009	801			1,509	151	9,860	87,987	98,799
Net income									