

Appendix 4E
Under ASX Listing Rule 4.3A

Wagners Holding Company Limited (ABN 49 622 632 848) & controlled entities

| | |
|----------------------------|-----------------------------|
| Current period | 1 July 2019 to 30 June 2020 |
| Prior corresponding period | 1 July 2018 to 30 June 2019 |

| Results for announcement to the market | 30 Jun 2020 | 30 Jun 2019 | Change | Change |
|---|--------------------|--------------------|---------------|---------------|
| | \$'000 | \$'000 | \$'000 | % |
| Revenue from ordinary activities | 249,668 | 236,888 | 12,780 | 5.39 |
| Net profit after tax from ordinary activities | (17) | 12,779 | (12,796) | (100.13) |
| Net profit attributable to members | (17) | 12,779 | (12,796) | (100.13) |

For further information refer to the 'Operating and Financial Review' section contained within the Directors' report of the Annual financial report.

| Dividend information | Cents per security | Franking % per security |
|--|---------------------------|--------------------------------|
| 2020 interim dividend – no dividend paid | 0.0 | |
| 2020 final dividend – no dividend declared | 0.0 | |
| 2019 interim dividend – paid 16 April 2019 | 2.2 | 100% |
| 2019 final dividend – no dividend declared | 0.0 | |

There were no dividend reinvestment plans in operation during the current or prior corresponding periods.

| Net tangible assets per security | 30 Jun 2020 | 30 Jun 2019 |
|---|--------------------|--------------------|
| | \$ | \$ |
| Net tangible assets per ordinary shares | 0.53 | 0.37 |

Control gained or lost over entities during the year

No entities were gained or lost in the current financial year.

Status of audit

The 30 June 2020 financial statements and accompanying notes for Wagners Holding Company Limited have been audited and are not subject to any disputes or qualifications. Refer to pages 88 to 90 of the financial report for a copy of the auditor's report.

This Appendix 4E should be read in conjunction with Wagners Holding Company Limited Financial Report for the year ended 30 June 2020.

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Wagners Holding Company Limited

ABN 49 622 632 848

Annual financial report

for the year ended 30 June 2020



Wagners Holding Company Limited
Financial Report
for the year ended 30 June 2020

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Wagners Holding Company Limited
Corporate Directory
30 June 2020

| | |
|-----------------------------|---|
| Directors | Denis Wagner, Non-executive chairman John Wagner, Non-executive director Lynda O'Grady, Non-executive director Ross Walker, Non-executive director |
| Company secretary | Karen Brown |
| Registered office | Level 10, 12 Creek Street, Brisbane QLD 4000 |
| Principal place of business | 11 Ballera Ct, 1511 Toowoomba-Cecil Plains Rd, Wellcamp QLD 4350 |
| Share register | Computershare Investor Services Ltd |
| Auditor | BDO Audit Pty Ltd |
| Solicitors | McCullough Robertson Lawyers |
| Bankers | National Australia Bank Limited HSBC Bank Australia Limited Australian and New Zealand Banking Group Limited |
| Stock exchange listing | Wagners Holding Company Limited shares are listed on the ASX (code: WGN) |
| Website | www.wagner.com.au |

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Wagners Holding Company Limited

Directors' Report

The Directors of Wagners Holding Company Limited (Wagners, the 'Company') and its controlled entities (the 'Group'), present their report together with the consolidated financial statements for the year ended 30 June 2020.

Directors

The following persons were directors of the Group during the period and until the date of this report, unless otherwise stated:

| Director | Role | Date of Appointment | Date of Retirement |
|---------------|------------------------|---------------------|--------------------|
| Denis Wagner | Non-executive chairman | 2 November 2017 | |
| John Wagner | Non-executive director | 2 November 2017 | |
| Lynda O'Grady | Non-executive director | 8 November 2017 | |
| Ross Walker | Non-executive director | 2 November 2017 | |
| Peter Crowley | Non-executive director | 9 November 2017 | 24 September 2019 |

| Alternate Director | Role | Date of Appointment |
|--------------------|------------------------|---------------------|
| Joseph Wagner | Non-executive director | 13 March 2018 |

Principal activities

The principal activities of the Group consist of construction materials and services and new generation building materials.

Construction materials and services supplies a large range of construction materials and services to customers in the construction, infrastructure and resources industries. Key products include cement, flyash, aggregates, ready-mix concrete, precast concrete products and reinforcing steel. Services include project specific mobile and on-site concrete batching, contract crushing and haulage services.

New generation building materials provides innovative and environmentally sustainable building products and construction materials through Composite Fibre Technologies (CFT) and Earth Friendly Concrete (EFC).

Significant changes in the state of affairs

In March 2019 the Group made a decision with respect to the 'Cement Supply Agreement' with Boral Limited to suspend supply of cement following the issue of a pricing notice. The following points are noted:

- The Group commenced proceedings against Boral regarding a dispute over the interpretation of a pricing clause in the Cement Supply Agreement seeking declarations that a series of Pricing Notices issued by Boral were invalid and to the extent that any valid suspension of supply of cement had commenced following receipt of those notices, that those suspensions had ended. The Company issued ASX announcements regarding this dispute on 18 March 2019 and 23 April 2019.
- Judgment on the matter was delivered on 10 June 2020 which determined that the both the Pricing Notices issued by Boral on 1 March 2019 and 1 April 2019 were not valid, however that a period of suspension had commenced from 18 March 2019 and ended on 18 September 2019. Boral recommenced purchasing cement on 22 October 2019.
- Both the Group and Boral have appealed the decision and the matter will be heard by the Court of Appeal on 22 October 2020.
- The Group remains confident in its position in relation to the matters the subject of the appeal and asserts that any suspension of cement products was either of no effect, due to the invalidity of the Pricing Notices issued, or ended earlier than the date determined by the Supreme Court of Queensland.
- Given there are so many possible outcomes, a potential positive result from the appeal cannot be quantified at this time.
- Regardless of the outcome of the appeal, the Cement Supply Agreement remains binding on the parties until 2031, requiring Boral to take a contracted volume of cement in the form of a take-or-pay arrangement, on an annual basis.

On 19 June 2020, the Group acquired the Shepton Quarry from Central Highlands Regional Council. The quarry is located in Capella, Central Queensland and enables the Group to expand its presence in the Central Queensland minerals province.

Dividends

No final fully franked dividend paid during period (2019: 3.5 cents per share)
 No interim dividend paid during period (2019: 2.2 cents per share)

| Consolidated Group | |
|---------------------------|--------------------|
| 30 Jun 2020 | 30 Jun 2019 |
| \$'000 | \$'000 |
| - | 5,648 |
| - | 3,550 |
| - | 9,198 |

Operating and financial review

Group financial results

Statutory net loss after tax (NPAT) of \$17,000 (30 June 2019: \$12,779,000 profit) decreased by 100.13% compared to the 2019 result. Wagners recorded a pro forma NPAT result of \$3,992,000, allowing for fair value adjustments in derivatives and pre AASB 16 treatment of rental payments.

Non-IFRS measures

Throughout this report, Wagners has included certain non-IFRS financial information, including Earnings before Interest, Depreciation & Amortisation (EBITDA), and pro forma equivalents of IFRS measures such as net profit after tax. Wagners believes that these non-IFRS measures provide useful information to recipients for measuring the underlying operating performance of the Group.

Pro forma & statutory results

Pro forma results are provided for the financial year ended 30 June 2020 to allow shareholders to make a meaningful comparison with the pro forma results for the year ended 30 June 2019 and to make an assessment of the Group's performance as a listed company. Pro forma and statutory results are summarised in table 1 below.

Pro forma adjustments have been made on a consistent basis with those made in the prior year, and adjustments for the AASB 16 treatment of rental payments. A reconciliation of the pro forma results to the statutory results is provided in table 2 on the following pages.

Table 1: Pro forma and statutory results actual compared to the prior financial year

| | FY2020 Pro forma Actual \$'000 | FY2019 Pro forma Actual \$'000 | FY2020 Statutory Actual \$'000 | FY2019 Statutory Actual \$'000 |
|-----------------------------------|---|---|---|---|
| Revenue | 249,668 | 236,888 | 249,668 | 236,888 |
| Direct material and cartage costs | (108,073) | (89,184) | (108,073) | (89,184) |
| Gross profit | 141,595 | 147,704 | 141,595 | 147,704 |
| Other income | 2,311 | 2,898 | 2,311 | 2,898 |
| Operating expenses | (120,740) | (111,922) | (116,292) | (112,709) |
| EBITDA | 23,166 | 38,680 | 27,614 | 37,893 |
| Depreciation & amortisation | (14,166) | (13,043) | (18,987) | (13,043) |
| EBIT | 9,000 | 25,637 | 8,627 | 24,850 |
| Net finance costs | (5,204) | (5,992) | (8,840) | (5,992) |
| Net profit before tax | 3,796 | 19,645 | (213) | 18,858 |
| Income tax expense | 196 | (5,894) | 196 | (6,079) |
| NPAT | 3,992 | 13,752 | (17) | 12,779 |

Operating and financial review (continued)

Group financial results (continued)

Pro forma & statutory results (continued)

Pro forma results 2020 vs 2019

Increased CFT sales, bulk haulage, increased quarry volumes and increased concrete volumes have contributed to the higher revenue in 2020, these have partially been offset by the decreased cement volume as a result of the Company's decision to suspend supply to Boral impacting the first half of FY20 volumes. These increases have resulted in higher direct material and cartage costs, and increased operating expenses reflecting the nature of the work involved.

Depreciation expense has been impacted by accelerated depreciation rates on bulk haulage equipment in line with the increased utilisation of these assets.

Statutory results 2020 vs 2019

The major variances have been discussed in the previous section of Pro forma results compared to last year. Items included in the statutory results that are not included in the Pro forma 2020 results include:

- Fair value loss on derivative instruments, being \$1.1m
- AASB 16 Rental Payments, being \$5.5m
- AASB 16 Right of use depreciation, being \$4.8m; and
- AASB 16 Finance costs on lease liabilities, being \$3.6m.

Table 2: Reconciliation of pro forma results to statutory results

| Group Results (\$'000) | FY2020 | FY2019 |
|--|--------------|---------------|
| Statutory EBIT | 8,627 | 37,893 |
| Reversal of fair value on derivative instruments (gain)/loss | 1,065 | 787 |
| AASB 16 - Rental Payments | (5,513) | - |
| AASB 16 - Right of Use Depreciation | 4,821 | - |
| Pro forma EBIT | 9,000 | 38,680 |
| Statutory NPAT | (17) | 12,779 |
| Reversal of fair value on derivative instruments (gain)/loss | 1,065 | 787 |
| AASB 16 - Rental Payments | (5,513) | - |
| AASB 16 - Right of Use Depreciation | 4,821 | - |
| AASB 16 - Finance Costs Lease Liabilities | 3,636 | - |
| Pro forma NPAT | 3,992 | 13,566 |

Operating and financial review (continued)

Group financial results (continued)

Operating results by segment

| Segment (\$'000) | Pro forma FY2020 | | Pro forma FY2019 | | Change | |
|--------------------------------------|------------------|--------------|------------------|---------------|---------------|-----------------|
| | Revenue | EBIT | Revenue | EBIT | Revenue | EBIT |
| Construction, Materials and Services | 217,054 | 17,989 | 209,902 | 30,104 | 7,152 | (12,115) |
| New Generation Building Materials | 33,835 | 2,143 | 29,266 | 1,760 | 4,569 | 383 |
| Other/Eliminations | (1,221) | (11,132) | (2,280) | (6,227) | 1,059 | (4,905) |
| Total | 249,668 | 9,000 | 236,888 | 25,637 | 12,780 | (16,637) |

Construction Materials and Services

Construction Materials and Services revenue growth has been driven by increased revenues across bulk haulage, concrete and quarry operations, partially offset by lower revenues in cement as a result of lower volumes.

Cement volumes have been impacted by the Company's decision to suspend supply of cement to Boral, as reported to the ASX on 18 March 2019.

Transport revenue increased from long term bulk haulage contracts in the North West mineral province of Queensland and Northern Territory in the resources sector.

Concrete revenues have increased due to the expansion of the south east Queensland fixed plant network and growth in volumes.

Increased supply of quarry materials, as a result of the commencement of project at the Carmichael mine, the acquisition of the Shepton Quarry near Emerald in June 2020 together with the continued supply from the Wellcamp and Castlereagh quarries.

EBIT reduction in the year was driven by the higher activity in lower margin areas such as contract haulage and fixed plant concrete, and delays in major project work.

New Generation Building Materials

New Generation Building Materials revenue is predominantly CFT as EFC continues to develop its market with negligible sales to date.

A 16.4% increase in revenue is all due to increased CFT sales of pedestrian infrastructure, short span road bridge and marine infrastructure. The pedestrian infrastructure, road bridge and marine structure division of business enjoyed a 48% increase in revenue in FY20, with a 44% increase in domestic and 68% increase in international markets. Whilst sales in the USA declined there was a large increase in sales to UAE and Europe.

EBIT was impacted by increased business development spend in USA, UK, Middle East and New Zealand and an increased spend on research and development in both CFT and EFC in the 2020 year.

Other/Eliminations

2019 results included a higher profit on sale of assets, mainly due to the sale and leaseback of concrete batch plant assets and the recognition of contract assets relating to the contracts to fabricate, construct and install concrete batch plants, this amounted to a reduction in EBIT of \$3.1m.

The remainder of the difference in EBIT is mainly due to increased legal costs associated with the Boral matter as well as increased insurance costs during the 2020 financial year.

Operating and financial review (continued)

Group financial results (continued)

Financial position

| | Consolidated Group | | | |
|---------------------------------|-------------------------------------|------------------------------------|------------------------------------|---------------------------------|
| | 30-Jun-20 Post AASB 16 \$'000 | 30-Jun-20 Pre AASB 16 \$'000 | 30-Jun-19 Pre AASB 16 \$'000 | Change Pre AASB 16 \$'000 |
| Current assets | 84,552 | 84,552 | 69,124 | 15,428 |
| Non-current assets | 245,438 | 152,949 | 131,707 | 21,242 |
| Total assets | 329,990 | 237,501 | 200,831 | 36,670 |
| Current liabilities | 64,295 | 61,923 | 53,251 | 8,672 |
| Non-current liabilities | 163,288 | 70,227 | 84,975 | (14,748) |
| Total liabilities | 227,583 | 132,150 | 138,226 | (6,076) |
| Net assets/(liabilities) | 102,407 | 105,351 | 62,605 | 42,746 |

The group increased its Net asset position in 2020 following the successful rights issue in November 2019 which included 1 new ordinary share for every 6.25 existing ordinary share held, at a price of \$1.55.

Increased trade receivables as a result of timing at 30 June 2020, together with increased inventory due to the timing of a cement raw material shipment have driven the increase in current assets.

Non-current assets have increased due to the investment in plant and equipment utilised for the increased bulk haulage work, contract crushing work and the purchase of the Shepton quarry.

Total liabilities have decreased as funds received from the rights issue was partly used to reduce debt.

Strategy and future prospects

Wagners remains focused on delivering future growth through the following principal strategies:

- **New Generation Building Materials:** the Group will continue its growth focus in international markets for its Composite Fibre Technologies (CFT) and Earth Friendly Concrete (EFC) products, with significant opportunities for a broad range of applications, particularly in the US, UK, New Zealand, Europe and Middle Eastern markets. Revenue growth is expected as a result of:
 - o **CFT** – the increased investment in our CFT international sales team and the establishment of a physical presence in the US.
 - o **EFC** – DIBt approval having now been obtained allowing the commercialization of the product in Europe and increased sales focus given the capabilities of the concrete batch plant network to supply EFC throughout South East Queensland.
- **Increased efficiency of production:** the Group is investing in automation and increased capacity of CFT and EFC production facilities to allow for higher productivity and lower cost of production for these New Generation Building Materials.

Operating and financial review (continued)

Strategy and future prospects (continued)

- **Continued expansion of ready-mix concrete plants:** the Group is continuing to establish its ready-mix concrete plant network. These plants will provide the Groups cement and quarry business with a secure and growing sales channel, and provide additional exposure to the expected increased activity in South East Queensland's construction materials and services market. The Group had 6 plant operational as 30 June 2020 with two additional sites secured. We expect continued pressure on profitability during FY21, due to market conditions.
- **Quarries:** continued growth expected in the quarry business following the recent acquisition of the Shepton Quarry and contracts secured for the Group' contract crushing services. The Group's fixed quarry operations and available mobile crushing equipment position the Group well to capitalise on increased activity in the construction materials and services market as a result of the expected increase in public spend on infrastructure and construction.
- **Transport:** growth in the Group's bulk haulage business is expected following significant investment in assets to service existing contracts and positions the Group to capitalise on the increase in activity in the resources sector.
- **Cement:** Boral have recommenced purchasing cement with requirements to take contracted volumes through until 2031. The Group will continue to expand its customer base in South East Queensland and look to develop new products and markets.

Environment regulation

The Group is subject to particular and significant environmental regulations. All relevant authorities have been provided with regular updates, and to the best of the directors' knowledge all activities have been undertaken in compliance with or in accordance with a process agreed with the relevant authority.

Wagners recognises and accepts that proper care of the environment is a fundamental part of its corporate business strategy and concerns for the environment must be integrated into all management programs. Wagners employs a number of substantial internal environmental policies, procedures and monitoring processes, including the Board participation in monthly Environmental Quality and Safety reviews with a large number of employee participants from throughout the Group.

Wagners believes that it must conduct business in an environmentally responsible manner that leaves the environment healthy, safe and does not compromise the ability of future generations to sustain their needs. Our environmental performance is assured annually by SAI Global through our compliance to ISO 14001:2015. Wagners is also subject to the *National Greenhouse and Energy Reporting Act 1997* and is required to report on the energy consumption and greenhouse gas emissions of its Australian operations.

Corporate governance

Wagners Holding Company Limited is committed to achieving and demonstrating the effective standards of corporate governance. The Group has reviewed its corporate governance practices against the *Corporate Governance Principles and Recommendations (3rd edition)* published by the ASX Corporate Governance Council.

Corporate governance (continued)

A description of Wagners Holding Company Limited's current corporate governance practices is set out in the Wagners Holding Company Limited's corporate governance statement, which can be viewed on the Wagners website at <https://investors.wagner.com.au/corporate-governance/>.

Indemnities and insurance of officers and auditors**Indemnification**

In accordance with the constitution, except as may be prohibited by the *Corporations Act 2001* every officer of the Company shall be indemnified out of the property of the Company against any liability incurred by them in their capacity as officer or agent of the Company in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal.

The Group has not entered into any agreement to indemnify their auditor, BDO Audit Pty Ltd for any liabilities to another person (other than the Company) that may arise from their position as auditor.

Insurances

During the reporting period and since the end of the reporting period, the Company has paid premiums in respect of a contract insuring directors and officers of the Group in relation to certain liabilities. In accordance with normal commercial practices under the terms of the insurance contracts, the nature of liabilities insured against and the amounts of premiums paid are confidential.

Auditor's independence declaration

A copy of the lead auditor's independence declaration, as required under section 307C of the *Corporations Act 2001* is set out on page 31 and forms part of the Directors' Report for financial year ended 30 June 2020.

Non-audit services

The following non-audit services were provided by the Group's auditor, BDO Audit Pty Ltd. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised. This assessment has been confirmed to the Board by the Audit & Risk Committee.

During the year, the following fees were paid or payable for non-audit services provided by the auditor of the parent entity, its related practices and non-related firms:

| | 2020 \$ | 2019 \$ |
|---|---------------|------------|
| Tax compliance, advisory and other services | 13,000 | - |
| Due diligence services | - | - |
| | 13,000 | - |

Rounding

The Company is a kind referred to in *Australian Securities & Investment Commission (ASIC) Legislative Instrument 2016/191*, and in accordance with that instrument all financial information presented in Australian dollars has been rounded to the nearest thousand dollars unless otherwise stated.

Proceedings on behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company, or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

Events occurring after the reporting date

The directors of the Company are not aware of any other matter or circumstance not otherwise dealt with in the financial report that significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs in the period subsequent to the financial year ended 30 June 2020.

In addition, while the COVID-19 situation remains concerning, between 30 June 2020 the date of this report, there has been no COVID-19 impacts on the operations of the Group. However, due to the fluid nature of this pandemic the Group will continue to monitor the unfolding situation and adjust operations for minimal impacts where required.

Likely developments and expected results of operations

Construction Materials and Services

The Group is in a strong position to benefit from the large pipeline of infrastructure work in South East Queensland which is scheduled to commence in the 2021 financial year and continue for four to five years. This will provide significant benefit to the construction materials and services offered by the Group, and will also provide opportunities for the use of the New Generation Building Materials.

The establishment of permanent concrete plants in South East Queensland, with six currently operational, with two additional sites identified, delivers on the strategy outlined in the prospectus. This, together with the development of a greenfield quarry site acquired in South East Queensland, which, unless the market improves is not expected to be operational within the next 2 years, strengthens the Group's position as a preferred supplier of construction materials in this market. We expect continued pressure on profitability during FY21, due to market conditions.

Likely developments and expected results of operations (continued)

Composite Fibre Technologies

Increased production capacity through the commissioning of an automated cross-arm production line in Australia will enable CFT to continue to meet the growing domestic demand for both electrical cross-arms and pedestrian infrastructure, short span road bridge and marine infrastructure construction supply.

The international expansion of CFT into USA, UK and New Zealand is expected to further increase the demand for CFT products, with the first installation of pedestrian infrastructure into the USA performed in late 2018, together with further installations in the USA, the first installations in Canada, UK and United Arab Emirates, and further installations in New Zealand. A contract for supply of cross-arms in New Zealand was entered into in 2018 and is being joined by further contracts. Cross-arm trials currently underway in the UK are expected to lead to supply into this market. The increased production capacity as a result of the automation will allow the Group to tender for international supply into Asia and USA as well.

Earth Friendly Concrete

Third party verification of the carbon reductions as a result of using EFC compared to a traditional Ordinary Portland Cement based concrete will allow the Group to have EFC entered into third party models that are used to determine a projects carbon savings. These models are used by large multi-national construction companies as they try to reduce the carbon emissions from projects both ongoing and embodied.

The receipt of Deutsches Institut für Bautechnik (DIBt) approval for Earth Friendly Concrete (EFC) in Germany now gives EFC approval across Europe and many Middle Eastern countries. This approval along with advanced discussion with several major parties for joint ventures or licencing agreements in UK and Germany will provide a launch platform for a staged and measured commercialisation throughout Europe.

Continued work on the opportunities in India with cement, power and steel manufacturers as well as the development of the international opportunities for the use of EFC will see increased international acceptance and increased international commercialisation of this technology.

Information on Directors and Company Secretary

| | |
|-------------------------------------|---|
| Name | Denis Wagner. |
| Title | Non-executive Chairman. |
| Qualifications | FAICD |
| Experience and expertise | Denis is one of the co-founders of Wagners and has been involved in the business since its inception and has been instrumental in developing Wagners into one of the leading construction materials producers in South East Queensland. Denis brings over 30 years' experience in the construction materials industry and is a Fellow of the Australian Institute of Company Directors. |
| Other current directorships | None. |
| Former directorships (last 3 years) | None. |
| Special responsibilities | Chair of Nomination Committee and Member of Remuneration Committee. |
| Interests in shares | 36,324,048 Ordinary shares. |
| Interests in options | None. |
| Interests in rights | None. |
| Contractual rights to shares | None. |

| | |
|-------------------------------------|---|
| Name | John Wagner. |
| Title | Non-executive Director. |
| Experience and expertise | John is one of the co-founders of Wagners and has been involved in the business since its inception and has been instrumental in developing Wagners into one of the leading construction materials producers in South East Queensland. John brings over 30 years' experience in the construction materials industry and was the inaugural Chair of both Darling Downs Tourism and Toowoomba and Surat Basin Enterprises boards. |
| Other current directorships | None. |
| Former directorships (last 3 years) | None. |
| Special responsibilities | Member of Audit and Risk Committee. |
| Interests in shares | 36,614,431 Ordinary shares. |
| Interests in options | None. |
| Interests in rights | None. |
| Contractual rights to shares | None. |

| | |
|-------------------------------------|--|
| Name | Ross Walker. |
| Title | Independent, Non-executive Director. |
| Qualifications | BCom, FCA. |
| Experience and expertise | Ross is a Chartered Accountant, with more the 30 years' corporate and accounting experience, and a former managing partner of accounting and consulting firm, Pitcher Partners Brisbane. |
| Other current directorships | RPM Global Limited (ASX: RUL) (Appointed in 2008) |
| Former directorships (last 3 years) | None. |
| Special responsibilities | Chair of Audit and Risk Committee and Member of Nomination Committee. |
| Interests in shares | 117,713 Ordinary shares. |
| Interests in options | None. |
| Interests in rights | None. |
| Contractual rights to shares | None. |

Information on Directors and Company Secretary (continued)

| | |
|-------------------------------------|--|
| Name | Lynda O'Grady. |
| Title | Independent, Non-executive Director. |
| Qualifications | BCom(Hons), FAICD. |
| Experience and expertise | Lynda has held Executive/Managing Director roles at Telstra, including Chief of Product. Prior to this Lynda was Commercial Director of Australian Consolidated Press (PBL) and General Manager of Alcatel Australia. She was Chairman of the Aged Care Financing Authority until her retirement effective 30 April 2018 and is a member of the Advisory Board of Jamieson Coote Bonds and Council of Southern Cross University. |
| Other current directorships | Domino's Pizza Enterprises Limited (ASX: DMP) (Appointed in 2015) |
| Former directorships (last 3 years) | National Electronic Health Transition Authority – NEHTA |
| Special responsibilities | Member of Nomination Committee and Audit and Risk Committee and Chair Remuneration Committee. |
| Interests in shares | 50,000 Ordinary shares. |
| Interests in options | None. |
| Interests in rights | None. |
| Contractual rights to shares | None. |
| | |
| Name | Karen Brown. |
| Title | Company Secretary. |
| Qualifications | LLB, BCom. |
| Experience and expertise | Karen is a solicitor of the Supreme Court of Queensland and was appointed as General Counsel and Company Secretary to Wagners in December 2017. Karen has over 20 years' experience in the legal sector, and is a former partner of Carter Newell Lawyers. |
| Other current directorships | None. |
| Former directorships (last 3 years) | None. |
| Special responsibilities | None. |
| Interests in shares | 15,808 Ordinary shares. |
| Interests in options | None. |
| Interests in rights | None. |
| Contractual rights to shares | None. |

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Interests in shares' refers to shareholdings as at the date of the financial report.

Directors' meetings

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2020, and the number of meetings attended by each Director were:

| | Full board meetings | | Audit & risk committee meetings | | Remuneration committee meetings | | Nomination committee meetings | |
|----------------|---------------------|----------|---------------------------------|----------|---------------------------------|----------|-------------------------------|----------|
| | Held | Attended | Held | Attended | Held | Attended | Held | Attended |
| Denis Wagner | 11 | 11 | - | - | 3 | 3 | - | - |
| John Wagner* | 11 | 7 | 3 | 3 | - | - | - | - |
| Ross Walker | 11 | 11 | 3 | 3 | 3 | 3 | - | - |
| Lynda O'Grady | 11 | 11 | 1 | 1 | 3 | 3 | - | - |
| Peter Crowley | 2 | 2 | 1 | 1 | 1 | 1 | - | - |
| Joseph Wagner* | 11 | 3 | - | - | - | - | - | - |

* John Wagner appointed Joseph Wagner as his alternate Director for an interim period where he could not attend to his full duties as a Director of the Company.

Held: represents the number of meetings held during the time the Director held office or was a member of the relevant committee.

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Remuneration report (audited)

The Directors of Wagners Holding Company Limited are pleased to present the Remuneration Report (the 'Report') for the Company and its subsidiaries (together, the 'Group') for the financial year ended 30 June 2020.

The information provided in the Report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

The Report consists of the following sections:

1. Remuneration report overview
2. Remuneration governance
3. Executive remuneration policy and practices
4. Non-executive Director remuneration policy and practices
5. Overview of Group performance
6. Employment contracts of key management personnel
7. Details of remuneration
8. Equity instruments held by key management personnel
9. Other transactions with key management personnel

1 Remuneration report overview

For the purposes of this Report, the Group's key management personnel ('KMP') are its Non-executive Directors and executives who have been identified as having authority and responsibility for planning, directing and controlling the major activities of the Group.

The table below outlines the KMP of Wagners and their movement during the financial year end 30 June 2020:

| Name | Role | Terms as KMP |
|--------------------------------|---------------------------------|--|
| Non-executive Directors | | |
| Denis Wagner | Non-executive Chairman | Full financial year |
| John Wagner | Non-executive Director | Full financial year |
| Peter Crowley | Non-executive Director | From 1 July until resignation on 24 th September 2019 |
| Lynda O'Grady | Non-executive Director | Full financial year |
| Ross Walker | Non-executive Director | Full financial year |
| Senior executives | | |
| Cameron Coleman | Chief Executive Officer ('CEO') | Full financial year |
| Fergus Hume | Chief Financial Officer ('CFO') | Full financial year |

2 Remuneration governance

Ultimately, the Board is responsible for the Group's remuneration policies and practices. The role of the Remuneration Committee (the 'Committee') is to assist the Board to ensure that appropriate and effective remuneration packages and policies are implemented within the Company and Group in relation to the KMP and those reporting directly to the CEO.

Remuneration report (audited)

2 Remuneration governance (continued)

Wagners has several policies to support a strong governance framework. These policies include a Diversity Policy, Continuous Disclosure Policy, Whistle-blower Policy and Securities Trading Policy, and they have been implemented to promote responsible management and conduct. Further information is available on the Group's website <https://investors.wagner.com.au/corporate-governance/>

The Remuneration Committee's functions include:

- Review and evaluation of market practices and trends on remuneration matters;
- Recommendations to the Board about the Group's remuneration policies and procedures;
- Recommendations to the Board about remuneration of senior management; and
- Reviewing the Group's reporting and disclosure practices in relation to the remuneration of senior executives.

The Committee's Charter allows the Committee access to specialist external advice about remuneration structure and levels, which it intends to utilise periodically in support of its remuneration decision making process.

3 Executive remuneration policy and practices

The Group's remuneration framework is designed to attract, retain, motivate and reward employees for performance that is competitive and appropriate for the results delivered. The framework aligns remuneration with the achievement of strategic goals and the creation of value for shareholders.

The key criteria supporting the Group's remuneration framework are:

- Competitiveness and reasonableness;
- Acceptability to shareholders;
- Performance linkage/alignment of executive compensation; and
- Transparency.

Wagner's Executive KMP remuneration consists of fixed remuneration, short-term incentives and long-term incentives plans. Executive KMP remuneration includes both fixed and variable components, with variable rewards consisting of short and long term incentives that are based on Group performance outcomes.

(a) Fixed remuneration

Fixed remuneration for employees reflects the complexity of the individual's role and their experience, knowledge and performance. Internal and external benchmarking is regularly undertaken, and fixed remuneration levels are set with regards to comparable market remuneration.

Fixed remuneration is comprised of base salary, salary sacrificed items and employer superannuation contributions, in line with statutory obligations.

Fixed remuneration is reviewed annually, taking into consideration the performance of the individual, business unit, and the Group as a whole.

Remuneration report (audited)

3 Executive remuneration policy and practices (continued)

(b) Short-term incentive plan

The Company has adopted a short-term incentive (STI) plan for key employees, and is designed to motivate and align employees with the Group's financial and strategic objectives.

Non-executive Directors are not entitled to participate in the STI. Key employees identified by the Board are entitled to receive STI payments, calculated as a percentage of base salary, subject to achieving performance targets against key performance indicators agreed with the Board.

The Group's proforma Earnings before Interest and Taxes (EBIT) has been assessed as the most suitable measure of financial performance for the STI.

The following table outlines the key features of the STI Plan for the financial year ended 30 June 2020:

| | | |
|----------------------------|---|--------------------|
| Participants | All KMP executives and senior management | |
| Performance period | Financial year ending 30 June 2020 | |
| Opportunity | Disclosed executives | On target |
| | CEO | 25% of base salary |
| | CFO | 25% of base salary |
| Performance target | Performance was measured against a proforma reported EBIT as described above and ratified by the Board. | |
| Performance results | The Group did not achieve the proforma reported EBIT result for the financial period, not satisfying the Group STI performance target. | |
| Payment method | <p>100% of STI earned will be payable by way of cash in two equal tranches, over one year.</p> <p>Other than in certain circumstances, if the employee ceases employment with the Group, any tranches earned that have not yet been paid will be forfeited.</p> | |

Remuneration report (audited)

3 Executive remuneration policy and practices (continued)

(c) Long-term incentive plan

The Company adopted a new long-term incentive plan in connection with its admission to the ASX, the Omnibus Incentive Plan (LTI).

Options are issued under the LTI, and it provides for KMP to receive a number of options, as determined by the Board, over ordinary shares. Options issued under the LTI will be subject to performance conditions that are detailed below.

The Remuneration Committee consider this equity performance-linked remuneration structure to be appropriate as KMP only receive a benefit when there is a corresponding direct benefit to shareholders.

Details of Key Management Personnel performance options issued, vested and expired during the financial year are set out below:

| Vesting Date | Tranche | Vesting Conditions | Performance Period ¹ | Movements | | | | 30 June 2020 |
|----------------|---------|--------------------|---------------------------------|-------------|----------------|-----------|--------------------|----------------|
| | | | | 1 July 2019 | Issued | Exercised | Expired/ Forfeited | |
| 31 August 2022 | 3 | EPS | 3 years | - | 74,075 | - | - | 74,075 |
| 31 August 2021 | 2 | EPS | 2 years | - | 74,074 | - | - | 74,074 |
| 31 August 2020 | 1 | EPS | 1 year | - | 74,074 | - | - | 74,074 |
| | | | | - | 222,223 | - | - | 222,223 |

¹ Represents the relevant period of time to which both the performance vesting condition is measured and the period of time the recipient must remain employed with the Group.

Remuneration report (audited)

3 Executive remuneration policy and practices (continued)

(c) Long-term incentive plan (continued)

Vesting Conditions

| | | |
|---|---------------------------|---|
| 1 | Vesting Dates | Tranche 1 – 31 August 2020 Tranche 2 – 31 August 2021 Tranche 3 and Remainder Options – 31 August 2022 |
| 2 | Vesting Conditions | <p>Offer Earnings Per Share (EPS) Reported EPS as at 30 June 2019 of 7.9c</p> <p>Tranche 1 On the Tranche 1 Vesting Date, if the earnings per share (EPS) of the Company as at 30 June 2020 (Tranche 1 EPS) is:</p> <ul style="list-style-type: none"> (a) at least 10% (but less than 12.5%) higher than the Offer EPS, 50% of the Tranche 1 Options shall vest; or (b) at least 12.5% (but less than 15%) higher than the Offer EPS, 75% of the Tranche 1 Options shall vest; or (c) at least 15% higher than the Offer EPS, 100% of the Tranche 1 Options shall vest. <p>Tranche 2 On the Tranche 2 Vesting Date, if the earnings per share (EPS) of the Company as at 30 June 2021 (Tranche 2 EPS) is:</p> <ul style="list-style-type: none"> (a) at least 10% (but less than 12.5%) higher than the Tranche 1 EPS, 50% of the Tranche 2 Options shall Vest; or (b) at least 12.5% (but less than 15%) higher than the Tranche 1 EPS, 75% of the Tranche 2 Options shall Vest; or (c) at least 15% higher than the Tranche 1 EPS, 100% of the Tranche 2 Options shall Vest. <p>Tranche 3 On the Tranche 3 Vesting Date, if the earnings per share (EPS) of the Company as at 30 June 2022 (Tranche 3 EPS) is:</p> <ul style="list-style-type: none"> (d) at least 10% (but less than 12.5%) higher than Tranche 2 EPS, 50% of the Tranche 3 Options shall Vest; or (e) at least 12.5% (but less than 15%) higher than the Tranche 2 EPS, 75% of the Tranche 3 Options shall Vest; or (f) at least 15% higher than the Tranche 2 EPS, 100% of the Tranche 3 Options shall Vest. <p>Additional vesting terms Any Tranche 1 or 2 Options which did not vest on the Tranche 1 Vesting Date or Tranche 2 Vesting Date respectively (Remainder Options) will vest on the Tranche 3 Vesting Date if the Tranche 3 EPS is at least 20% higher than the Tranche 2 EPS.</p> |
| 3 | Expiry Date | 5 years from the date the Options were issued. |

Remuneration report (audited)

3 Executive remuneration policy and practices (continued)

(c) Long-term incentive plan

Fair value of performance rights granted

The assessed fair value at the date of grant of performance rights issued is determined using an option pricing model that takes into account the exercise price, the underlying share price at the time of issue, the term of performance right, the underlying share's expected volatility, expected dividends and risk free interest rate for the expected life of the instrument.

Details of performance rights over ordinary shares in the company provided as remuneration to each of the key management personnel of the group are set out below. When exercisable, each performance right is convertible into one ordinary share of Wagners Holding Company Limited.

The value of the performance rights were calculated using the inputs shown below:

| Inputs into pricing model | Tranche 1 | Tranche 2 | Tranche 3 |
|-----------------------------------|---------------------|---------------------|---------------------|
| Grant Date | 20 November 2019 | 20 November 2019 | 20 November 2019 |
| Exercise Price | \$0.00 | \$0.00 | \$0.00 |
| Vesting Conditions | Refer above | Refer above | Refer above |
| Share price at grant date | \$2.10 | \$2.10 | \$2.10 |
| Expiry date | 20 November 2024 | 20 November 2024 | 20 November 2024 |
| Life of the instruments | 5 years | 5 years | 5 years |
| Underlying share price volatility | 50% | 50% | 50% |
| Expected dividends | 1% | 1.7% | 2.1% |
| Risk free interest rate | 0.71% | 0.71% | 0.71% |
| Pricing model | Black Scholes Model | Black Scholes Model | Black Scholes Model |
| Fair value per instrument | \$1.88 | \$1.83 | \$1.78 |

4 Non-executive Director remuneration policy and practices

Fees and payments to non-executive Directors reflect the demands and responsibilities of their role. Non-executive Directors' fees and payments are reviewed annually by the Remuneration Committee, and reflects the market salary for a position and individual of comparable responsibility and experience whilst considering the Group's stage of development.

Non-executive Directors' fees were fixed, and they did not receive any performance based remuneration. Under the Company's Constitution the amount paid or provided for payments to Directors as a whole must not exceed the maximum aggregate amount of \$750,000. The current Independent Non-executive Directors fees are \$100,000 per annum (inclusive of superannuation where applicable) and Directors may also be reimbursed for all travelling and other expenses incurred in connection with their Company duties. Non-executive Chairman fees are \$200,000 per annum.

Remuneration report (audited)

5 Overview of group performance

Since the Company was not a disclosing entity prior to the financial year ended 30 June 2018, the relationship between remuneration policy and Group performance is only assessed for the prior two and the current financial year.

| | 2020 Statutory | 2020 Pro forma | 2019 Statutory | 2019 Pro forma | 2018 Statutory | 2018 Pro forma |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Revenue (\$'000) | 249,668 | 249,668 | 236,888 | 236,888 | 231,530 | 231,530 |
| EBITDA (\$'000) | 27,614 | 23,166 | 37,893 | 38,680 | 48,824 | 50,305 |
| EBIT (\$'000) | 8,627 | 9,000 | 24,850 | 25,637 | 38,005 | 39,486 |
| NPAT (\$'000) | (17) | 3,992 | 12,779 | 13,566 | 24,807 | 23,226 |
| Dividends paid (cents per share) | 0.0 | 0.0 | 5.7 | 5.7 | 1.5 | 1.5 |
| Basic Earnings per share (cents) | (0.0) | 2.3 | 7.9 | 8.5 | 17.1 | 16.0 |
| Share price movement (cents per share) | (69) | (69) | (254) | (254) | 164 | 164 |

6 Employment contracts of key management personnel

The Company has entered into standard employment agreements (fixed remuneration and equity-based incentives) with all senior management. None of the Non-executive directors have employment contracts with the Company.

Key terms of the employment agreements for the executive KMP members are as follows:

| Executive KMP | Role | Contract duration | Notice period | Termination payments applicable | Annual base salary \$ |
|-----------------|------|-------------------|--|---------------------------------|-----------------------|
| Cameron Coleman | CEO | Unlimited | 12 months (Wagner's notice) / 6 months (employee's notice) | Applicable notice period | 500,000 |
| Fergus Hume | CFO | Unlimited | 6 months | Notice period | 300,000 |

7 Details of remuneration

(a) Performance against STI plan

For the executive KMP members, the applicable STI award payable against the performance of Pro forma EBIT for the financial year ended 30 June 2020 was:

| Executive KMP | Maximum 'at-risk' | % of maximum STI awarded / payable | % of STI forfeited | Estimate of maximum total value |
|-----------------|--------------------|------------------------------------|--------------------|---------------------------------|
| Cameron Coleman | 25% of base salary | 0% | 100% | - |
| Fergus Hume | 25% of base salary | 0% | 100% | - |



Remuneration report (audited)

7 Details of remuneration (continued)

(b) Director & executive KMP remuneration

Details of the remuneration of Directors and other key management personnel of the Company in respect to their terms as a KMP outlined above, for the financial years ended 30 June 2020 & 30 June 2019 are set out in the tables on the following pages:

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Remuneration report (audited)

(b) Director & executive KMP remuneration (continued)

| Financial year ended | Short-term | | | Post-employment | Long term | Equity based benefits | Total remuneration | Performance related |
|--|------------------------------|--------------------------|-------------------|-----------------|---------------------------------|-----------------------------------|--------------------|---------------------|
| | Salary and fees ¹ | STI awarded ² | Non-cash benefits | Super-annuation | Long service leave ³ | Share based payments ⁶ | | |
| 30 June 2020 | \$ | \$ | \$ | \$ | \$ | \$ | \$ | % |
| Non-executive Directors | | | | | | | | |
| Denis Wagner ⁴ | 200,000 | - | - | - | - | - | 200,000 | - |
| John Wagner | 100,000 | - | - | - | - | - | 100,000 | - |
| Peter Crowley ⁵ | 25,000 | - | - | - | - | - | 25,000 | - |
| Lynda O'Grady | 100,000 | - | - | - | - | - | 100,000 | - |
| Ross Walker | 100,000 | - | - | - | - | - | 100,000 | - |
| Executive KMP's | | | | | | | | |
| Cameron Coleman | 501,899 | - | 8,028 | 25,000 | 9,641 | 23,586 | 568,154 | 4.2% |
| Fergus Hume | 303,389 | - | 16,433 | 24,452 | 2,051 | 14,152 | 360,477 | 3.9% |
| Total Directors' and Executive remuneration | 1,330,288 | - | 24,461 | 49,452 | 11,692 | 37,738 | 1,453,631 | 2.6% |

Notes:

- 1 Amount includes the value of annual leave accrued during the year.
- 2 STI bonus is for performance during the respective financial year using the criteria set out on page 18. STI's awarded is paid in two equal tranches over a one-year period, with outstanding amounts forfeited should the employee terminate their contract.
- 3 Amount includes the value of long service leave accrued during the year.
- 4 Increased rate of Directors fees for the role of Chairman.
- 5 Peter Crowley resigned on 24th September 2019.
- 6 This reflects the value of options earned in Tranche 2 and 3 as the Tranche 1 options did not meet the hurdle rate of the options issued in 2020.

Remuneration report (audited)

(b) Director & executive KMP remuneration (continued)

| Financial year ended | Short-term | | | Post-employment | Long term | Equity based benefits | Total remuneration | Performance related |
|--|------------------------------|--------------------------|-------------------|-----------------|---------------------------------|-----------------------|--------------------|---------------------|
| | Salary and fees ¹ | STI awarded ² | Non-cash benefits | Super-annuation | Long service leave ³ | Share based payments | | |
| 30 June 2019 | \$ | \$ | \$ | \$ | \$ | \$ | \$ | % |
| Non-executive Directors | | | | | | | | |
| Denis Wagner ⁴ | 200,000 | - | - | - | - | - | 200,000 | - |
| John Wagner | 100,000 | - | - | - | - | - | 100,000 | - |
| Peter Crowley | 100,000 | - | - | - | - | - | 100,000 | - |
| Lynda O'Grady | 100,000 | - | - | - | - | - | 100,000 | - |
| Ross Walker | 100,000 | - | - | - | - | - | 100,000 | - |
| Executive KMP's | | | | | | | | |
| Cameron Coleman | 475,349 | - | 13,434 | 20,190 | 41,726 | - | 550,699 | 0% |
| Fergus Hume | 311,587 | - | 25,301 | 25,878 | 1,093 | - | 363,859 | 0% |
| Total Directors' and Executive remuneration | 1,386,936 | - | 38,735 | 46,068 | 42,819 | - | 1,514,558 | 0% |

Notes:

- 1 Amount includes the value of annual leave accrued during the year.
- 2 STI bonus is for performance during the respective financial year using the criteria set out on page 18. STI's awarded is paid in two equal tranches over a one-year period, with outstanding amounts forfeited should the employee terminate their contract.
- 3 Amount includes the value of long service leave accrued during the year.
- 4 Increased rate of Directors fees for the role of Chairman.

Remuneration report (audited)

8 Equity instruments held by key management personnel

(a) Ordinary shares

The movement in number of ordinary shares in Wagners Holding Company Limited held directly, indirectly, or beneficially, by each key management person during the 2020 financial year, is as follows:

| Key management person | Opening balance | Purchases on market | Purchases off market | Rights Issue | Share disposals | Closing balance |
|----------------------------|-----------------|---------------------|----------------------|--------------|-----------------|-----------------|
| Denis Wagner ¹ | 22,157,670 | - | 3,564 | 14,201,056 | 38,242 | 36,324,048 |
| John Wagner ¹ | 22,157,670 | 290,383 | 3,564 | 14,201,056 | 38,242 | 36,614,431 |
| Peter Crowley | 44,280 | - | - | - | 44,280 | - |
| Lynda O'Grady ² | 18,450 | 28,598 | - | 2,952 | - | 50,000 |
| Ross Walker | 101,476 | - | - | 16,237 | - | 117,713 |
| Cameron Coleman | 71,743 | - | - | 11,480 | - | 83,223 |
| Fergus Hume | 1,476 | - | - | 237 | - | 1,713 |

Notes:

- The rights issue shares for Denis and John Wagner were taken up by an associated entity of theirs, Wagner Property Operations Pty Ltd. Denis Wagner and John Wagner's balance includes the total number of shares purchased and now held by the associated entity.
- The closing balance includes 28,598 shares held by Lynda O'Grady's spouse.

(b) STI/LTI instrument granted and issued during the year

The following LTI performance rights were issued during the financial year ended 30 June 2020 (2019: none).

| Key Management Person | Movements | | | | 30 June 2020 |
|-----------------------|-------------|---------|-----------|--------------------|--------------|
| | 1 July 2019 | Granted | Exercised | Expired/ Forfeited | |
| Cameron Coleman | - | 138,889 | - | - | 138,889 |
| Fergus Hume | - | 83,334 | - | - | 83,334 |

9 Other transactions with key management personnel and their related parties

(a) Loans to key management personnel and their related parties

There were no loans issued to any key management personnel, or their related parties during the financial year ended 30 June 2020.

Remuneration report (audited)

9 Other transactions with key management personnel and their related parties (continued)

(b) Other transactions with key management personnel and their related parties (continued)

Directors and related parties

All transactions between the Group and any Director and their related parties are conducted on the basis of normal commercial trading terms and conditions as agreed upon between the parties as per normal arms-length business transactions. Such transactions with Director and their related parties are detailed as follows:

| Description | 2020 | 2019 |
|---|----------------|----------------|
| | Revenue/(Cost) | Revenue/(Cost) |
| | \$ | \$ |
| Sale of materials and services ¹ | 7,937,690 | 10,328,126 |
| Indemnity of losses on onerous contract | - | 231,941 |
| On charge of costs processed by the Group | 5,342 | 150,804 |
| Shared service agreement ² | - | 185,043 |
| Gain on sale of property, plant & equipment ³ | - | 1,664,873 |
| Payments for rent of property and plant, material royalties and other costs | (8,083,706) | (8,001,788) |

1 The sale of materials and services includes amounts recognised over time under AASB 15 for contracts to fabricate, construct and install concrete batch plants on sites owned by related parties.

2 The Group, as per the prospectus, had a shared service agreement with a related entity for shared resources & employees for a 12 month transition period from the IPO date. These shared services were charged to the related entity monthly using a number of internal business drivers and conducted on the basis of normal commercial trading terms and conditions as agreed between the parties.

3 The Group entered into a sale and leaseback contract to upgrade existing concrete batch plant assets owned by the Group and install these assets on a site owned by a related party, which the Group has subsequently leased back. The contract price for the total works of this sale (including associated site improvements and installation) was externally valuated at \$6,250,000. The lease is at applicable market rates.

This ends the Audited Remuneration Report.



The Directors' Report is signed in accordance with a resolution of the directors made pursuant to s298(2) of the *Corporations Act 2001*.

Mr Denis Wagner

Chairman

Dated at Toowoomba, Queensland on 25 August 2020.

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Auditor's Independence Declaration



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DECLARATION OF INDEPENDENCE BY C K HENRY TO THE DIRECTORS OF WAGNERS HOLDING COMPANY LIMITED

As lead auditor of Wagners Holding Company Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Wagners Holding Company Limited and the entities it controlled during the period.

C K Henry
Director

BDO Audit Pty Ltd

Brisbane

25 August 2020

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Wagners Holding Company Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2020

| | Note | Consolidated Group | |
|--|-------|-----------------------|-----------------------|
| | | 30 Jun 2020 \$'000 | 30 Jun 2019 \$'000 |
| Revenue from contracts with customers | 3(a) | 249,668 | 236,888 |
| Other income | 3(b) | 2,311 | 2,898 |
| Direct material and cartage costs | | (108,073) | (89,184) |
| Employee benefits expense | | (48,069) | (49,976) |
| Depreciation – right-of-use assets | 10(a) | (4,821) | - |
| Depreciation and amortisation expense - other | 9(a) | (14,166) | (13,043) |
| Finance costs – lease liabilities | 15 | (3,636) | - |
| Net finance cost – other | 4 | (5,204) | (5,992) |
| Fuel | | (3,799) | (3,291) |
| Contract work and purchased services | | (10,918) | (9,850) |
| Freight and postal | | (1,876) | (5,857) |
| Legal and professional | | (2,374) | (2,220) |
| Rent and hire | | (5,293) | (7,640) |
| Repairs and maintenance | | (27,245) | (18,560) |
| Travel and accommodation | | (6,218) | (4,157) |
| Utilities | | (3,380) | (4,206) |
| Fair value adjustment on derivative instruments | 16 | (1,065) | (787) |
| Impairment of trade receivables – gain/(loss) | 7(a) | (545) | 119 |
| Other expenses | | (5,510) | (6,284) |
| Profit/(Loss) before income tax | | (213) | 18,858 |
| Income tax (expense)/credit | 5 | 196 | (6,079) |
| Profit/(Loss) attributable to equity holders of the parent | | (17) | 12,779 |
| Other comprehensive income (net of tax) | | | |
| <i>Items that may be reclassified to profit or loss</i> | | | |
| Adjustment from translation of foreign controlled entities, net of tax | 19 | 126 | (26) |
| | | 126 | (26) |
| Total comprehensive income attributable to equity holders of the parent | | 109 | 12,753 |
| Earnings per share | | Cents | Cents |
| Basic earnings per share | 21 | (0.0) | 7.9 |
| Diluted earnings per share | 21 | (0.0) | 7.9 |

The accompanying notes form part of these financial statements

Wagners Holding Company Limited
Consolidated Statement of Financial Position
as at 30 June 2020

| | Note | Consolidated Group | |
|---|------|-----------------------|-----------------------|
| | | 30 Jun 2020 \$'000 | 30 Jun 2019 \$'000 |
| Current Assets | | | |
| Cash and cash equivalents | 6 | 3,436 | 6,101 |
| Trade and other receivables | 7 | 55,586 | 42,661 |
| Inventories | 8 | 21,755 | 19,515 |
| Derivative instruments | 16 | 216 | 368 |
| Current tax assets | | 2,986 | - |
| Other assets | | 573 | 479 |
| Total Current Assets | | 84,552 | 69,124 |
| Non-current Assets | | | |
| Other financial assets | | 7 | 7 |
| Property, plant and equipment | 9 | 143,702 | 123,520 |
| Right-of-use assets | 10 | 92,489 | - |
| Intangible assets | 11 | 2,521 | 2,638 |
| Deferred tax assets | 12 | 6,719 | 5,542 |
| Total Non-current Assets | | 245,438 | 131,707 |
| Total Assets | | 329,990 | 200,831 |
| Current Liabilities | | | |
| Trade and other payables | 13 | 33,575 | 28,242 |
| Borrowings | 14 | 18,715 | 14,673 |
| Lease liabilities | 15 | 2,372 | - |
| Derivative instruments | 16 | 3,215 | 1,474 |
| Current tax liabilities | | - | 3,714 |
| Provisions | 17 | 6,418 | 5,148 |
| Total Current Liabilities | | 64,295 | 53,251 |
| Non-current Liabilities | | | |
| Borrowings | 14 | 67,759 | 81,749 |
| Lease liabilities | 15 | 93,061 | - |
| Derivative instruments | 16 | 2,029 | 2,856 |
| Provisions | 17 | 439 | 370 |
| Total Non-current Liabilities | | 163,288 | 84,975 |
| Total Liabilities | | 227,583 | 138,226 |
| Net Assets | | 102,407 | 62,605 |
| Equity | | | |
| Issued capital | 18 | 410,915 | 371,334 |
| Pre IPO distributions to related entities | | (354,613) | (354,613) |
| Reserves | 19 | (159) | (397) |
| Retained earnings | | 46,264 | 46,281 |
| Total Equity | | 102,407 | 62,605 |

The accompanying notes form part of these financial statements

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Wagners Holding Company Limited
Consolidated Statement of Changes in Equity
for the year ended 30 June 2020

| | Consolidated Group | | | | | |
|--|--------------------|-------------------------|---|--------------------|--------------------------------|-----------------|
| | Note | Share capital \$'000 | Pre IPO distributions to related entities \$'000 | Reserves \$'000 | Retained earnings \$'000 | Total \$'000 |
| Balance at 1 July 2018 | | 371,334 | (354,613) | (371) | 42,952 | 59,302 |
| Profit for the financial year | | - | - | - | 12,779 | 12,779 |
| Exchange differences from translation of foreign controlled entities, net of tax | | - | - | (26) | - | (26) |
| Total comprehensive income for the financial year | | - | - | (26) | 12,779 | 12,753 |
| Other equity transactions | | - | - | - | (252) | (252) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | | |
| Dividends paid | 20 | - | - | - | (9,198) | (9,198) |
| Balance at 30 June 2019 | | 371,334 | (354,613) | (397) | 46,281 | 62,605 |
| Profit for the financial year | | - | - | - | (17) | (17) |
| Exchange differences from translation of foreign controlled entities, net of tax | | - | - | 126 | - | 126 |
| Total comprehensive income for the financial year | | - | - | 126 | (17) | 109 |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | | |
| Recognition of share based payments | 19 | - | - | 112 | - | 112 |
| New shares issued (net of share issue costs) | 18 | 39,581 | - | - | - | 39,391 |
| Balance at 30 June 2020 | | 410,915 | (354,613) | (159) | 46,264 | 102,407 |

The accompanying notes form part of these financial statements

Wagners Holding Company Limited
Consolidated Statement of Cash Flows
for the year ended 30 June 2020

| | Note | Consolidated Group | |
|---|-------|-----------------------|-----------------------|
| | | 30 Jun 2020 \$'000 | 30 Jun 2019 \$'000 |
| Cash flows from operating activities | | | |
| Receipts from customers (inclusive of GST) | | 260,554 | 261,932 |
| Payments to suppliers and employees (inclusive of GST) | | (247,647) | (226,421) |
| Interest received | | 71 | 29 |
| Dividends received | | 967 | 570 |
| Finance costs | | (5,123) | (5,565) |
| Income tax paid | | (7,681) | (6,564) |
| Net cash provided by operating activities | 22(a) | 1,141 | 23,981 |
| Cash flow from investing activities | | | |
| Proceeds from sale of property, plant and equipment | | 900 | 6,216 |
| Payments for property, plant and equipment | | (30,536) | (28,074) |
| Payments for acquired businesses | 32 | (2,050) | (4,059) |
| Net cash used in investing activities | | (31,686) | (25,917) |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | | 16,943 | 26,838 |
| Proceeds from share issue | | 40,023 | - |
| Share issue costs | | (442) | - |
| Dividends paid | | - | (9,198) |
| Repayment of lease liabilities | | (1,877) | - |
| Repayment of borrowings | | (26,891) | (11,057) |
| Net cash provided by financing activities | | 27,756 | 6,583 |
| Net increase/(decrease) in cash and cash equivalents | | (2,789) | 4,647 |
| Cash at beginning of financial year | | 6,101 | 1,500 |
| Effect of currency translation on cash and cash equivalents | | 124 | (46) |
| Cash at end of financial year | | 3,436 | 6,101 |

The accompanying notes form part of these financial statements

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Wagners Holding Company Limited
Notes to the Consolidated Financial Statements
for the year ended 30 June 2020

1 Statement of Significant Accounting Policies

The consolidated financial statements of Wagners Holding Company Limited and its subsidiaries (together, the 'Group') for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the directors on 24 August 2020.

Wagners Holding Company Limited (the 'Company') is a for-profit company limited by shares incorporated on 2 November 2017 and domiciled in Australia.

The principal activities of the Group during the year consisted of the production and sale of construction materials and its new generation building materials, including the provision of ancillary services.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards (AASBs) and the *Corporations Act 2001*, including interpretations issued by the Australian Accounting Standards Board (AASB). The consolidated financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

(i) Basis of measurement and reporting convention

Except for cash flow information, the consolidated financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(ii) Critical accounting estimates and judgements

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. Actual results may differ from these estimates. Areas where assumptions and estimates are significant to the financial statements, or involving a higher degree of judgement due to complexity are as follows:

- The determination of long service leave provision (Note 17 and Note 1(m));
- The determination of depreciation rates on property, plant and equipment (Note 9 and Note 1(h)); and
- The incremental borrowing rate and estimated exercise of option terms in relation to the calculations of right-of-use assets (Note 10) & lease liabilities (Note 15)

1 Statement of Significant Accounting Policies (continued)

(a) Basis of preparation (continued)

(iii) *New and revised accounting standards adoption*

A number of new or amended standards became applicable for the current reporting period, and the group had to change its accounting policies as a result of adopting the following standard:

- I. AASB 16 *Leases*.
- II. Interpretation 23 *Uncertainty over Income Tax Treatments*

The impact of the adoption of AASB 16 and the new accounting policies are disclosed below. The other standards did not have any impact on the group's accounting policies and did not require retrospective adjustments.

(i) **AASB 16 Leases**

The Group applied for the first time AASB 16 from 1 July 2019. AASB 16 introduced a single, on-balance sheet accounting model for lessees. As a result, in relation to various leases, the Group has recognised right-of-use assets representing its right to use the underlying assets, and lease liabilities, representing its obligation to make lease payments.

The Group transitioned to AASB 16 using the modified retrospective approach, where the right-of-use asset is recognised at the date of initial application at an amount equal to the lease liability, for each lease using the entity's current incremental borrowing rate that would be applicable if the entity were to borrow using similar terms for purchase. The incremental borrowing rates ranged from 3.52% to 4.51%. Accordingly, prior comparative information has not been restated and all leases are presented as previously reported under AASB 117 Leases ('AASB 117') and related interpretations.

Accounting policies applied from 1 July 2019

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all the risks and rewards of ownership. Under AASB 16, the Group recognises right-of-use assets and lease liabilities for most leases in the Consolidated Statement of Financial Position.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. Lease liabilities are remeasured when there is a change in future lease payments arising from a change in a rate, or changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The right-of-use asset is initially measured at the amount of lease liability plus any lease payments made before commencement less any lease incentives received. It also includes and direct costs and restoration costs. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

1 Statement of Significant Accounting Policies (continued)

(a) Basis of preparation (continued)

(iv) *New and revised accounting standards adoption (continued)*

(i) AASB 16 Leases (continued)

Accounting policies applied from 1 July 2019 (continued)

The Group has elected not to recognise right-of-use assets and lease liabilities for leases with terms less than twelve months, and for leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

In applying AASB 16 for the first time, the group has used the following practical expedients permitted by the standard:

- I. The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- II. The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease;
- III. The accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases; and
- IV. The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

Impact of adoption

On transition to AASB 16, the Group recognised right-of-use assets and lease liabilities. The impact on transition is summarised below.

| | \$'000 |
|--|----------|
| Right-of-use assets presented in property, plant and equipment | 76,484 |
| Lease liabilities | (76,484) |
| Statement of financial position impact | - |

The Group used its incremental borrowing rates at 1 July 2019 ranging from 3.52% to 4.51%, depending on the lease terms, to discount lease payments when measuring its lease liabilities.

| | \$'000 |
|---|----------------|
| Operating lease commitment at 30 June 2019 | 133,175 |
| Discounted using the incremental borrowing rate at 1 July 2019 | 65,164 |
| Exemption for lease with less than 12 months of lease term at transition date | (188) |
| Agreements considered leases not previously included as operating commitments | 469 |
| Reassessment of lease term | 11,039 |
| Lease liabilities recognised at 1 July 2019 | 76,484 |

The impact of AASB 16 resulted in a \$2.94 million lower profit before tax, as the Group has recognised depreciation and interest costs, rather than operating lease expenses. During the financial year ended 30 June 2020, the Group recognised \$4.82 million of depreciation charges, \$3.64 million of interest costs, with there being no cash impact of AASB 16 in relation to those leases previously classified as operating leases and new leases added during the period.

1 Statement of Significant Accounting Policies (continued)

(b) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate all of the assets, liabilities and results of the Group and all of its subsidiaries. Subsidiaries are all entities over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

(c) Revenue recognition

Sale of materials and goods

The Group derives revenue from the sale of cement, flyash, aggregates, ready-mix concrete, precast concrete products and reinforcing steel.

Sale of construction and new generation building materials contains only one performance obligation, with revenue recognised at the point in time when the material or good is transferred to the customer.

Provision of services

The Group derives revenue from the provision of services including project specific mobile and on-site concrete batching, contract crushing and haulage services.

Infrastructure & mining project services

Revenue from infrastructure and mining project services is recognised when the performance obligation to the customer has been satisfied, which is generally when the service is performed on site.

Construction contracts

For fixed-price construction contracts, mainly concerning the Groups' New Generation Building Materials division and the construction of concrete batch plants, revenue is recognised over time based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is measured by reference to actual labour hours incurred and actual costs incurred, relative to the total expected inputs to the satisfaction of the individual performance obligations. Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

Dividends and interest

Dividend revenue is recognised when the right to receive a dividend has been established, and interest revenue is recognised using the effective interest method.

1 Statement of Significant Accounting Policies (continued)

(c) Revenue recognition (continued)

All revenue is stated net of the amount of goods and services tax.

Contract assets and contract liabilities

AASB 15 uses the terms 'contract asset' and 'contract liability' to describe what is commonly known as 'accrued revenue' and 'deferred revenue'. Contract assets are balances due from customers under contracts as work is performed and therefore a contract asset is recognised over the period in which the performance obligation is fulfilled. This represents the entity's right to consideration for the services transferred to date. Amounts are generally reclassified to contract receivables when these have been certified or invoiced to a customer. Contract liabilities arise where payment is received prior to work being performed.

(d) Financial instruments

Classification

The group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through Other Comprehensive Income (OCI), or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at Fair Value through Other Comprehensive Income (FVOCI). The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at Fair Value through Profit or Loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest. Measurement of cash and cash equivalents and trade and other receivables are measured at amortised cost.

1 Statement of Significant Accounting Policies (continued)**(d) Financial instruments (continued)***Measurement (continued)*Debt instruments

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the profit or loss.
- Fair Value through Profit or Loss (FVPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Impairment

The Group's accounting for impairment losses relating to financial assets is on a forward looking basis using the Expected Credit Losses (ECL) approach. For trade receivables and contract assets, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Group has established a provision matrix that is based on the Group's historical credit losses against the receivables ageing profile.

(e) Income tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction where the Company's subsidiaries operate and generate taxable income, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and prior period adjustments (where applicable).

Current and deferred tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income. In which case, the tax is also recognised in other comprehensive income.

1 Statement of Significant Accounting Policies (continued)

(e) Income tax (continued)

Deferred tax assets and liabilities are recognised for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements, at the tax rates expected to apply when the asset is realised or the liability is settled, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss; or
- When the taxable temporary differences relate to interests in subsidiaries, associates or joint ventures, and the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future; or

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Tax consolidation group

Wagners Holding Company Limited, the ultimate Australian controlling entity, and its Australian subsidiaries, have implemented the tax consolidation legislation.

Wagners Holding Company Limited and its subsidiaries in the tax consolidated Group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated Group continues to be a stand-alone taxpayer in its own right. In addition to its own current and deferred tax amounts, Wagners Holding Company Limited, the ultimate Australian controlling entity, also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from subsidiaries in the tax consolidated Group.

Assets or liabilities arising under tax funding arrangements within the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Under the tax funding arrangement, the members of the tax consolidated Group compensate Wagners Holding Company Limited for any current tax payable assumed, and are compensated by Wagners Holding Company Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Wagners Holding Company Limited.

(f) Earnings per share

(i) *Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the financial period.

1 Statement of Significant Accounting Policies (continued)**(f) Earnings per share (continued)***(ii) Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of manufactured products includes direct costs & direct labour, costs are assigned on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimate costs of completion and the necessary costs to make the sale.

(h) Intangibles

Licenses and accreditations acquired as part of a prior business combination are recognised separately from goodwill. The licenses and accreditations are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the timing of projected cash flows of the contracts over their estimated useful lives, which was estimated at 23 years.

(i) Property, plant and equipment

All property, plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of property, plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised through profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(j) for details of impairment).

The carrying amount of property, plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the Group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

1 Statement of Significant Accounting Policies (continued)

(i) Property, plant and equipment (continued)

Depreciation

The depreciable amount of all fixed assets including land improvements & buildings, is depreciated on a straight-line basis over the asset's useful life to the Group commencing from the time the asset is held ready for use.

Estimated useful lives for each class of depreciable asset are as follows:

| | |
|-------------------------------|--------------|
| Land improvements & buildings | 5 – 30 years |
| Plant and equipment | 2 – 30 years |
| Motor vehicles | 4 – 15 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise.

(j) Impairment of non-financial assets

Non-financial assets are tested at the end of each reporting period for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. An impairment test is carried out on an asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units).

(k) Business combinations and goodwill

Business combinations occur where an acquirer obtains control over one or more businesses. A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The consideration transferred for the acquisition of a business comprises of the:

- Fair values of the assets transferred;
- Liabilities incurred to the former owners of the acquired business;
- Equity interests issued by the Group;
- Fair value of any asset or liability resulting from a contingent consideration arrangement; and
- Fair value of any pre-existing equity interest in the business.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

1 Statement of Significant Accounting Policies (continued)

(k) Business combinations and goodwill (continued)

The excess of the consideration transferred and the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

(l) Foreign currency transactions and balances

(i) Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which it operates. The consolidated financial statements are presented in Australian dollars, which is Wagners Holding Company Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss. Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy), whose functional currency is different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities in the statement of financial position are translated at the closing exchange rate at the reporting date of the reporting period; and
- Income and expenses in the statement of profit or loss and other comprehensive income are translated at average exchange rates for the reporting period.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. The cumulative amount of these differences is reclassified into profit or loss in the period in which the operation is disposed of.

1 Statement of Significant Accounting Policies (continued)

(m) Employee benefits

(i) Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled wholly within 12 months after the end of the reporting period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is presented as provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefits

The liabilities for long service leave and annual leave which is not expected to be settled wholly within 12 months after the end of the reporting period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows.

The Group's obligations for long-term employee benefits are presented as non-current provision for employee benefits the consolidated statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as a current provision for employee benefits.

(iii) Retirement benefit obligations

All Australian-resident employees of the Group are entitled to receive a superannuation guarantee contribution, currently 9.5% of the employee's average ordinary salary, to the employee's superannuation fund of choice. All superannuation guarantee contributions are recognised as an expense when they become payable. All obligations for unpaid superannuation guarantee contributions at the end of the reporting period are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the Group's statement of financial position.

Other amounts charged to the financial statements in this respect represents the contribution made by the consolidated entity to employee retirement benefit funds in other jurisdictions.

(iv) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises a liability and expense for termination benefits at the earlier of: (a) the date when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognises costs for restructuring pursuant to AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the costs include termination benefits. In either case, unless the number of employees affected is known, the obligation for termination benefits is measured on the basis of the number of employees expected to be affected. Termination benefits that are expected to be settled wholly before 12 months after the annual reporting period in which the benefits are recognised are measured at the (undiscounted) amounts expected to be paid. All other termination benefits are accounted for on the same basis as other long-term employee benefits.

1 Statement of Significant Accounting Policies (continued)**(m) Employee benefits (continued)****(v) Short-term incentive scheme**

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the earnings of the entity after certain adjustments, subject to Board approval.

(n) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(o) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are reported within borrowings in current liabilities on the statement of financial position.

(p) Trade and other receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

(q) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the reporting period which are unpaid. Trade and other payables are presented as current liabilities and are normally paid within 45 days of recognition, unless payment is not due within 12 months after the reporting period where they are recognised as non-current liabilities.

(r) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowing costs on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs.

1 Statement of Significant Accounting Policies (continued)**(r) Borrowings (continued)**

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

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

Borrowing costs incurred for the construction of any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs not previously mentioned are expensed as incurred.

(s) Contributed equity

Ordinary shares are classified as equity.

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

(t) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Company, on or before the end of the reporting period but not distributed at the end of the reporting period.

(u) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(v) Rounding of amounts

The amounts contained in the financial report have been rounded to the nearest thousand dollars where noted (\$'000), or in certain cases the nearest dollar, under the option available to the Company under *ASIC Legislative (Rounding in Financial/Directors' Reports) Instrument 2016/191*. The Company is an entity to which this legislative instrument applies.

1 Statement of Significant Accounting Policies (continued)**(w) Parent entity financial information**

The financial information for the parent entity, Wagner Holding Company Limited, has been prepared on the same basis as the consolidated financial statements.

(x) New accounting standards for application in future periods

New accounting standards and interpretations have been issued by the AASB that are not yet mandatory for the 30 June 2020 reporting periods and have not been early adopted by the Group. The Group has assessed the impact of these new standards and interpretations and does not expect that there would be any material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

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2 Segment reporting

AASB 8 Operating Segments requires the Group to identify operating segments and disclose segment information on the basis of internal reports that are provided to, and reviewed by, the chief operating decision maker of the Group to allocate resources and assess performance. In the case of the Group, the chief operating decision maker is the Board of Directors.

An operating segment is a component of the Group that engages in business activity from which it may earn revenues or incur expenditure, including those that relate with other Group components. Each operating segment's results are reviewed regularly by the Board to make decisions about resources to be allocated to the segments and assess its performance. The Board monitors the operations of the Group based on the following two segments:

- **Construction Materials & Services (CMS):** supplies a range of construction materials and services predominantly to customers in the construction, infrastructure, and resources industries. Key products include cement, flyash, ready-mix concrete, precast concrete products, aggregates and reinforcing steel. Services include mobile concrete, crushing and haulage services, and are typically provided via medium to long-term contracts both domestically and internationally.
- **New Generation Building Materials (NGBM):** provides innovative and environmentally sustainable new generation materials. Key products are Composite Fibre Technology (CFT) materials and Earth Friendly Concrete (EFC).

Corporate amounts reflect corporate costs incurred by the Group, as well as the financing and investment activities of the Group.

Segment performance is evaluated based on profit before interest and tax. Inter-segment pricing is determined on an arm's length basis and inter-segment revenue is generated from the sales of materials and services between operations.

Allocations of assets and liabilities are not separately identified in internal reporting so are not disclosed in this note.

Reconciliations of reportable segment revenues & profit or loss

| | CMS \$'000 | NGBM \$'000 | Corporate \$'000 | Total \$'000 |
|---|---------------|----------------|---------------------|-----------------|
| Financial year ended 30 June 2020 | | | | |
| Segment revenue | 217,054 | 33,835 | 6 | 250,895 |
| Inter-segment elimination | | | | (1,227) |
| Total revenue for the financial year | | | | 249,668 |
| Profit before interest & income tax | 18,646 | 2,178 | (12,197) | 8,627 |
| Finance costs | | | | (8,911) |
| Interest income | | | | 71 |
| Income tax expense | | | | 196 |
| Loss for the financial year | | | | (17) |

2 Segment reporting (continued)

Reconciliations of reportable segment revenues & profit or loss (continued)

| | CMS \$'000 | NGBM \$'000 | Corporate \$'000 | Total \$'000 |
|---|---------------|----------------|---------------------|-----------------|
| Financial year ended 30 June 2019 | | | | |
| Segment revenue | 209,902 | 29,266 | 284 | 239,452 |
| Inter-segment elimination | | | | (2,564) |
| Total revenue for the financial year | | | | 236,888 |
| Profit before interest & income tax | 30,104 | 1,760 | (7,014) | 24,850 |
| Finance costs | | | | (6,021) |
| Interest income | | | | 29 |
| Income tax expense | | | | (6,079) |
| Profit for the financial year | | | | 12,779 |

Major customers

The Group has a number of customers to whom it provides both materials and services. The Group supplies two external customers (2019: two) in the CMS segment who account for 27% of external revenue (2019: 25%).

Geographical information

Refer to note 3(c) for disclosure of geographical information on revenue.

3 Income

(a) Revenue from contracts with customers

| | Consolidated Group | |
|--|-----------------------|-----------------------|
| | 30 Jun 2020 \$'000 | 30 Jun 2019 \$'000 |
| Sale of goods | 163,899 | 156,970 |
| Sale of services | 85,769 | 79,918 |
| Total revenue from contracts with customers | 249,668 | 236,888 |

There were no partly satisfied performance obligations at the end of the previous reporting period for which revenue was recognised in the current period.

3 Income (continued)

(b) Other income

| | Note | Consolidated Group | |
|---|------|-----------------------|-----------------------|
| | | 30 Jun 2020 \$'000 | 30 Jun 2019 \$'000 |
| Profit on sale of property, plant and equipment | | 321 | 2,103 |
| Dividends received | | 967 | 570 |
| Rent and hire received | | 458 | 100 |
| Gain on bargain purchase | 32 | 355 | - |
| Other income | | 210 | 125 |
| Total other income | | 2,311 | 2,898 |

(c) Disaggregation of revenue

The Group earns revenue from several geographical location, the net revenue presented below is based on the selling entity.

| | 30 Jun 2020 | | | 30 Jun 2019 | | |
|-----------------------------|----------------|----------------|---------------------|----------------|----------------|---------------------|
| | CMS \$'000 | NGBM \$'000 | Corporate \$'000 | CMS \$'000 | NGBM \$'000 | Corporate \$'000 |
| Australia ¹ | | | | | | |
| Point-in-time | 207,427 | 17,350 | 6 | 198,141 | 18,101 | 284 |
| Over-time | 9,098 | 16,244 | - | 9,503 | 9,642 | - |
| United States of America | | | | | | |
| Over-time | - | 241 | - | - | 1,523 | - |
| Papua New Guinea & Malaysia | | | | | | |
| Point-in-time | 529 | - | - | 767 | - | - |
| Total point-in-time | 207,956 | 17,350 | 6 | 198,908 | 18,101 | 284 |
| Total over-time | 9,098 | 16,485 | - | 9,503 | 11,165 | - |

1 Australia NGBM has also earned export revenue from several geographical locations in 2020, including New Zealand \$1,021,000 (2019: \$811,000), United Arab Emirates \$2,148,000 (2019: \$1,271,000) & United Kingdom \$606,000 (2019: \$323,000).

4 Profit or loss items

Profit for the following year included the following specific items:

(a) Expenses

| | Note | Consolidated Group | |
|-----------------------------------|------|-----------------------|-----------------------|
| | | 30 Jun 2020 \$'000 | 30 Jun 2019 \$'000 |
| Net employee benefits expense (i) | | 44,276 | 46,650 |
| Defined contributions plans (ii) | | 3,681 | 3,326 |
| Performance Rights expense (iii) | 26 | 112 | - |
| Business combination costs (iv) | 32 | 216 | 211 |

- (i) Net employee benefits has reduced slightly in the period. This excludes the Groups defined contributions paid for its employees (ii) and performance rights (iii).
- (ii) Defined contributions plan is the compulsory superannuation payable on employee salaries and wages.
- (iii) Performance rights expense recognised based on probability of vesting conditions being met.
- (iv) Costs associated to acquire the Shepton Quarry (Note 32 Business combination) were recognised in the profit or loss in FY20.

(b) Net finance costs

| | Consolidated Group | |
|----------------------------------|-----------------------|-----------------------|
| | 30 Jun 2020 \$'000 | 30 Jun 2019 \$'000 |
| Interest income | (71) | (29) |
| Interest costs and facility fees | 5,468 | 6,021 |
| Other finance costs/(income) | (193) | - |
| | 5,204 | 5,992 |

5 Income tax

(a) Income tax expense

| | Consolidated Group | |
|--|-----------------------|-----------------------|
| | 30 Jun 2020 \$'000 | 30 Jun 2019 \$'000 |
| The components of income tax expense comprise: | | |
| Current tax on profits for the year | 1,165 | 5,755 |
| Adjustments for current tax of prior periods | 5 | 1,298 |
| Deferred tax expense/(benefit) | (1,366) | (974) |
| | (196) | 6,079 |

5 Income tax (continued)

(b) Numerical reconciliation of income tax expense to prima facie tax payable

| | Consolidated Group | |
|--|-----------------------|-----------------------|
| | 30 Jun 2020 \$'000 | 30 Jun 2019 \$'000 |
| Profit from continuing activities before income tax expense | (213) | 18,858 |
| Prima facie tax payable using Australian tax rate of 30% (2019: 30%) | (64) | 5,657 |
| <i>Adjusted for:</i> | | |
| Net taxable impact of tax consolidation transition | - | 412 |
| Difference between Australian and overseas tax rates | 43 | 29 |
| Taxable losses not recognised as DTA | 78 | - |
| Business combination tax impacts | (43) | - |
| Other net non-deductible/(non-assessable) items | (122) | (41) |
| Under/(over) provision from prior years | (88) | 22 |
| Income tax expense | (196) | 6,079 |

(c) Tax amounts recognised directly in equity

| | Consolidated Group | |
|--|-----------------------|-----------------------|
| | 30 Jun 2020 \$'000 | 30 Jun 2019 \$'000 |
| The following deferred tax amounts were (charged)/credited directly to equity during the year in respect of: | | |
| Net exchange difference taken to equity | - | - |
| Listing costs attributed to share capital | 189 | - |
| Recognised in comprehensive income | 189 | - |

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6 Cash and cash equivalents

| | Consolidated Group | |
|--------------|-----------------------|-----------------------|
| | 30 Jun 2020 \$'000 | 30 Jun 2019 \$'000 |
| Cash on hand | 6 | 6 |
| Cash at bank | 3,430 | 6,095 |
| | 3,436 | 6,101 |

7 Trade and other receivables

| | Consolidated Group | |
|---|-----------------------|-----------------------|
| | 30 Jun 2020 \$'000 | 30 Jun 2019 \$'000 |
| Current | | |
| Trade receivables | 48,050 | 35,531 |
| Provision for expected credit loss of trade receivables | (844) | (299) |
| | 47,206 | 35,232 |
| Contract assets (i) | 1,110 | 6,823 |
| Other receivables | 7,270 | 606 |
| | 55,586 | 42,661 |

(i) Contract assets has decreased due to the Group's prior recognition of revenue over time under AASB 15 *Revenue from contracts with customers* and the completion of the Group's contracts for the fabrication, construction and installation of concrete batch plants in the financial year ended 30 June 2020.

(a) Provision for expected credit losses of trade receivables

Movement in the allowance for expected credit losses of trade receivables is as follows:

| | Consolidated Group | |
|---|-----------------------|-----------------------|
| | 30 Jun 2020 \$'000 | 30 Jun 2019 \$'000 |
| Balance at beginning of period | 299 | 578 |
| Impairment expense/(credit) recognised during the year | 545 | (119) |
| Receivables (written off)/recouped during the year as uncollectable | - | (160) |
| Balance at end of period | 844 | 299 |

7 Trade and other receivables (continued)

(b) Ageing of trade receivables and contract assets

Due to the short-term nature of current receivables, their carrying amount is assumed to approximate their fair value.

The Group has considered the collectability and recoverability of trade receivables. An allowance for expected credit loss is recognised for the specific irrecoverable trade receivable amounts. The ageing of trade receivables are outlined for the current and prior financial periods as follows:

| | Expected loss rate | Consolidated Group | |
|---|--------------------|--|-----------------------|
| | | Gross trade receivable and contract asset \$'000 | Loss Allowance \$'000 |
| Trade receivable ageing as at 30 June 2020 | | | |
| Current | 0.5% | 42,734 | 214 |
| 1 to 30 | 1.0% | 3,458 | 35 |
| 31 to 60 | 5.0% | 530 | 26 |
| 61 to 90 | 20.0% | 314 | 62 |
| 90+ | 50.0% | 1,014 | 507 |
| Contract assets | 0% | 1,110 | - |
| Balance at end of period | | 49,160 | 844 |

| | Expected loss rate | Consolidated Group | |
|---|--------------------|--|-----------------------|
| | | Gross trade receivable and contract asset \$'000 | Loss Allowance \$'000 |
| Trade receivable ageing as at 30 June 2019 | | | |
| Current | 0.5% | 32,645 | 163 |
| 1 to 30 | 1.0% | 1,316 | 13 |
| 31 to 60 | 5.0% | 1,201 | 60 |
| 61 to 90 | 20.0% | 15 | 3 |
| 90+ | 50.0% | 55 | 27 |
| Contract assets | 0.5% | 6,823 | 33 |
| Balance at end of period | | 42,055 | 299 |

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to the Group's right to consideration for performance complete to date before payment is due and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

7 Trade and other receivables (continued)

(b) Ageing of trade receivables and contract assets (continued)

The expected loss rates are based on the payment profiles of sales over the last 3 years. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP, country specific unemployment rates and the outlook for customer industries as the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

While the COVID-19 situation remains fluid and has seen a number of industries severely economically impacted, the Group has not adjusted its expected loss rate in the financial year ended 30 June 2020 due to it seeing no current trend with its customers extending outside payment terms. In addition, the Group foresees significant Government backed spending in the construction and infrastructure sectors in the coming financial periods.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade receivables and contract assets are presented as net impairment losses. Subsequent recoveries of amounts previously written off are credited against the same line item.

8 Inventories

At cost

Raw materials and stores
Work in progress
Finished goods

| Consolidated Group | |
|--------------------|---------------|
| 30 Jun 2020 | 30 Jun 2019 |
| \$'000 | \$'000 |
| 19,725 | 14,904 |
| 940 | 1,973 |
| 1,090 | 2,638 |
| 21,755 | 19,515 |

The Group recognised \$77,365,000 of inventory through profit or loss for the financial year ending 30 June 2020 (2019: \$63,860,000).

9 Property, plant & equipment

| | Consolidated Group | |
|--|-----------------------|-----------------------|
| | 30 Jun 2020 \$'000 | 30 Jun 2019 \$'000 |
| Land improvements & buildings | | |
| Land improvements & buildings – at cost | 19,722 | 19,119 |
| Less accumulated depreciation | (5,014) | (4,343) |
| | 14,708 | 14,776 |
| Plant & equipment | | |
| Plant & equipment – at cost | 155,570 | 137,695 |
| Less accumulated depreciation | (68,398) | (61,152) |
| | 87,172 | 76,543 |
| Motor vehicles | | |
| Motor vehicles – at cost | 52,272 | 43,137 |
| Less accumulated depreciation | (21,296) | (16,848) |
| | 30,976 | 26,289 |
| Assets under construction – at cost | 10,846 | 5,912 |
| Total property, plant & equipment | 143,702 | 123,520 |

(a) Movements in carrying amounts

| Financial year ended 30 June 2020 \$'000 | Land improvements & buildings | Plant & equipment | Motor vehicles | Assets under construction | Total |
|---|-------------------------------------|----------------------|-------------------|------------------------------|----------------|
| Opening net book value | 14,776 | 76,543 | 26,289 | 5,912 | 123,520 |
| Additions | 406 | 13,935 | 10,369 | 5,826 | 30,536 |
| Transfers from asset under construction | 42 | 850 | - | (892) | - |
| Business combination assets | 155 | 4,052 | 67 | - | 4,274 |
| Depreciation | (671) | (7,784) | (5,594) | - | (14,049) |
| Disposals | - | (424) | (155) | - | (579) |
| Closing net book value | 14,708 | 87,172 | 30,976 | 10,846 | 143,702 |

9 Property, plant & equipment (continued)

(a) Movements in carrying amounts (continued)

| Financial year ended 30 June 2019 \$'000 | Land improvements & buildings | Plant & equipment | Motor vehicles | Assets under construction | Total |
|---|-------------------------------------|----------------------|-------------------|------------------------------|----------------|
| Opening net book value | 15,022 | 77,666 | 17,883 | 1,236 | 111,807 |
| Additions | 370 | 7,598 | 14,220 | 5,886 | 28,074 |
| Transfers from under construction | - | 1,210 | - | (1,210) | - |
| Business combination assets | - | 572 | 209 | - | 781 |
| Depreciation | (616) | (7,455) | (4,871) | - | (12,942) |
| Disposals | - | (3,048) | (1,152) | - | (4,200) |
| Closing net book value | 14,776 | 76,543 | 26,289 | 5,912 | 123,520 |

As at 30 June 2020 the value of the Group's assets pledged as security was \$31,083,000 (2019: \$29,370,000).

10 Right-of-use assets

| | Consolidated Group | |
|--------------------------------------|-----------------------|-----------------------|
| | 30 Jun 2020 \$'000 | 30 Jun 2019 \$'000 |
| Property, Plant and Equipment | | |
| Property, Plant and Equipment | 97,310 | - |
| Less accumulated depreciation | (4,821) | - |
| Total right-of-use assets | 92,489 | - |

(a) Movements in carrying amounts

| Financial year ended 30 June 2020 \$'000 | Land & buildings | Total |
|---|---------------------|---------------|
| Opening net book value | - | - |
| Recognition on initial application | 76,484 | 76,484 |
| Additions | 20,826 | 20,826 |
| Modifications | - | - |
| Depreciation to profit or loss | (4,821) | (4,821) |
| Closing net book value | 92,489 | 92,489 |

11 Intangible assets

| | Consolidated Group | |
|--------------------------------|-----------------------|-----------------------|
| | 30 Jun 2020 \$'000 | 30 Jun 2019 \$'000 |
| Licenses | | |
| Licenses – at cost | 2,740 | 2,740 |
| Less accumulated amortisation | (219) | (102) |
| | 2,521 | 2,638 |
| Total intangible assets | 2,521 | 2,638 |

(a) Movements in carrying amounts

Financial year ended 30 June 2020

| \$'000 | Licenses | Total |
|-------------------------------|--------------|--------------|
| Opening net book value | 2,638 | 2,638 |
| Amortisation | (117) | (117) |
| Closing net book value | 2,521 | 2,521 |

Financial year ended 30 June 2019

| \$'000 | Licenses | Total |
|-------------------------------|--------------|--------------|
| Opening net book value | - | - |
| Additions | 2,740 | 2,740 |
| Amortisation | (102) | (102) |
| Closing net book value | 2,638 | 2,638 |

12 Deferred tax assets and liabilities

(a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

| \$'000 | Assets | | Liabilities | | Net assets/(liabilities) | |
|-----------------------------------|----------------|----------------|----------------|----------------|--------------------------|----------------|
| | 30 Jun 2020 | 30 Jun 2019 | 30 Jun 2020 | 30 Jun 2019 | 30 Jun 2020 | 30 Jun 2019 |
| Inventories | 38 | 68 | (233) | (408) | (195) | (340) |
| Property, plant & equipment | 1,123 | 1,593 | - | - | 1,123 | 1,593 |
| Expected credit loss | 253 | 89 | - | - | 253 | 89 |
| Employee benefits | 1,978 | 1,747 | - | - | 1,978 | 1,747 |
| Derivative financial instruments | 1,573 | 1,300 | (427) | (653) | 1,146 | 647 |
| Provisions | 65 | 121 | - | - | 65 | 121 |
| Leases | 28,630 | - | (27,747) | - | 883 | - |
| Contract liabilities | 500 | - | - | - | 500 | - |
| Contract assets | - | - | (297) | - | (297) | - |
| Other items | 1,496 | 1,881 | (233) | (196) | 1,263 | 1,685 |
| Deferred tax assets/(liabilities) | 35,656 | 6,799 | (28,937) | (1,257) | 6,719 | 5,542 |
| Set off deferred taxes | (28,937) | (1,257) | 28,937 | 1,257 | - | - |
| Net deferred tax assets | 6,719 | 5,542 | - | - | 6,719 | 5,542 |

(b) Movement in temporary difference during the year

The movement in deferred tax balances for the Group are shown in the tables below:

| Year ended 30 June 2020 \$'000 | Opening balance | Charged to income | Charged to equity | Exchange differences | Closing balance |
|-----------------------------------|--------------------|----------------------|----------------------|-------------------------|--------------------|
| Inventories | (340) | 145 | - | - | (195) |
| Property, plant & equipment | 1,593 | (470) | - | - | 1,123 |
| Expected credit loss | 89 | 164 | - | - | 253 |
| Employee benefits | 1,747 | 231 | - | - | 1,978 |
| Derivative financial instruments | 647 | 499 | - | - | 1,146 |
| Provisions | 121 | (56) | - | - | 65 |
| Leases | - | 883 | - | - | 883 |
| Contract liabilities | - | 500 | - | - | 500 |
| Contract assets | - | (297) | - | - | (297) |
| Other items | 1,685 | (233) | (189) | - | 1,263 |
| Net deferred tax assets | 5,542 | 1,366 | (189) | - | 6,719 |

12 Deferred tax assets and liabilities (continued)

(b) Movement in temporary difference during the year (continued)

| Year ended 30 June 2019 \$'000 | Opening balance | Charged to income | Charged to equity | Exchange differences | Closing balance |
|-----------------------------------|--------------------|----------------------|----------------------|-------------------------|--------------------|
| Inventories | (340) | - | - | - | (340) |
| Property, plant & equipment | 45 | 1,548 | - | - | 1,593 |
| Expected credit loss | 173 | (84) | - | - | 89 |
| Employee benefits | 1,545 | 202 | - | - | 1,747 |
| Derivative financial instruments | 953 | (306) | - | - | 647 |
| Provisions | 71 | 50 | - | - | 121 |
| Other items | 2,121 | (436) | - | - | 1,685 |
| Net deferred tax assets | 4,568 | 974 | - | - | 5,542 |

13 Trade and other payables

| | Consolidated Group | |
|---|-----------------------|-----------------------|
| | 30 Jun 2020 \$'000 | 30 Jun 2019 \$'000 |
| Trade payables | 10,797 | 14,336 |
| Contract liabilities ¹ | 1,665 | - |
| Sundry payables and accrued expenses ² | 21,113 | 13,906 |
| | 33,575 | 28,242 |

The carrying amounts of trade and other payable are presumed to be at their fair values due to their short-term nature.

1 Contract liabilities have increased due to the CFT and Precast Concrete divisions receiving advanced payments as part of a number of secured contracts, totaling \$1,385,000 and \$280,000 respectively.

2 The Groups sundry payables and accrued expenses has increased significantly as at 30 June 2020, and can be broken up into the following overarching categories:

| | 30 Jun 2020 \$'000 | 30 Jun 2019 \$'000 |
|--|-----------------------|-----------------------|
| Accrued expenses | 8,060 | 3,915 |
| Goods Received Not Invoiced payables | 5,822 | 5,228 |
| GST/VAT payables | 2,935 | 1,643 |
| Payroll accruals and payables ³ | 4,296 | 3,120 |
| | 21,113 | 13,906 |

3 As part of COVID-19 support the QLD Office of State Revenue granted payment deferral for a number of monthly payroll tax liabilities, allowing full payment of liabilities upon submission of Annual Payroll Tax Return.

14 Borrowings

| | Consolidated Group | |
|---|-----------------------|-----------------------|
| | 30 Jun 2020 \$'000 | 30 Jun 2019 \$'000 |
| Current | | |
| <i>Secured liabilities</i> | | |
| Finance facility | 7,050 | 6,000 |
| Chattel mortgages | 11,665 | 8,673 |
| | 18,715 | 14,673 |
| Non-current | | |
| <i>Secured liabilities</i> | | |
| Finance facility | 56,500 | 74,000 |
| Chattel mortgages | 11,259 | 7,749 |
| | 64,277 | 81,749 |
| Total current and non-current secured liabilities: | | |
| Finance facility ¹ | 63,550 | 80,000 |
| Chattel mortgages ² | 22,924 | 16,422 |
| | 86,474 | 96,422 |

- 1 As announced on 29 June 2020 via release to the ASX, the Group secured an extension with its current banks NAB & HSBC to its existing finance facilities, with an expiry date of 8 January 2022.

The products within the finance facility bear interest at the Bank Bill Swap Rate plus a predetermined margin. Rates vary across the two club banks who cover the Groups finance facilities, and are affected by a number of factors including prior covenant ratios, date range within the facility agreements and the sub-facility being utilised.

Along with its two existing fixed charge cover ratio and debt to EBITDA ratio covenants, as part of the extended facility agreement the Group must also adhere to a capitalisation ratio covenant. All covenants have been complied with during the financial years ended 30 June 2020 & 30 June 2019.

A general security interest has been granted to NAB as security trustee, over all of the assets and undertakings of the Company. In addition, mortgages have been granted over each of the real property leases.

- 2 The Group enters into agreements to fund certain plant and equipment purchases; these are assessed on a case by case basis. The underlying plant and equipment is held as security over each Chattel mortgage until repayments are made in full.

15 Lease liabilities (Right of use Assets)

| Note | Consolidated Group | |
|--|-----------------------|-----------------------|
| | 30 Jun 2020 \$'000 | 30 Jun 2019 \$'000 |
| Current | | |
| Lease liabilities | 2,372 | - |
| Non-current | | |
| Lease liabilities | 93,061 | - |
| Total current and non-current lease liabilities | 95,433 | - |

(a) Movements in carrying amounts

Financial year ended 30 June 2020

| \$'000 | Total |
|------------------------------------|---------------|
| Opening net book value | - |
| Recognition on initial application | 76,484 |
| Additions | 20,826 |
| Interest expense | 3,636 |
| Lease repayments | (5,513) |
| Closing net book value | 95,433 |

(b) Amounts recognised in profit or loss

| Note | Consolidated Group | |
|--|-----------------------|-----------------------|
| | 30 Jun 2020 \$'000 | 30 Jun 2019 \$'000 |
| Interest expense on lease liabilities | 3,636 | - |
| Rent & hire expense – low value assets | 7 | - |
| Rent & hire expense – short-term | 4,543 | - |
| Total | 8,186 | - |

(c) Extension options

Extension options are included in a number of premises leases across the Group, these are used to maximise operational flexibility in terms of managing assets in the Group's operations. In determining the lease term, the Group considers all facts and circumstances available at the time. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

The majority of the Groups premises leases still have a considerable number of years left until expiry, as such no extension options on premises leases have been included in the calculation of lease liabilities.

16 Derivative instruments

| | Note | 30 June 2020 | | 30 June 2019 | |
|--|------|-------------------|-----------------------|-------------------|-----------------------|
| | | Current \$'000 | Non-current \$'000 | Current \$'000 | Non-current \$'000 |
| Assets | | | | | |
| Foreign exchange forward contracts | | 216 | - | 368 | - |
| Liabilities | | | | | |
| Foreign exchange forward contracts | | (1,266) | - | (67) | - |
| Interest rate swap contracts | | (1,949) | (2,029) | (1,407) | (2,856) |
| | | (3,215) | (2,209) | (1,474) | (2,856) |
| Total derivative assets/(liabilities) | 23 | (2,999) | (2,029) | (1,106) | (2,856) |
| Total movement in Derivatives recognised through Profit or Loss | | (1,065) | | (787) | |

17 Provisions
(a) Provision balances

| | Consolidated Group | |
|------------------------|-----------------------|-----------------------|
| | 30 Jun 2020 \$'000 | 30 Jun 2019 \$'000 |
| Current | | |
| Employee benefits (i) | 5,271 | 4,600 |
| Other (ii) | 1,147 | 548 |
| | 6,418 | 5,148 |
| Non-current | | |
| Employee benefits (i) | 439 | 370 |
| | | |
| Total Provision | 6,857 | 5,518 |

(i) Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the Group does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the Group does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

17 Provisions (continued)

(a) Provision balances (continued)

In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data and the expected future payments are discounted using market yields at the end of the reporting period of corporate bonds with terms and conditions which match, as closely as possible, the estimated future cash outflows. The measurement and recognition criteria relating to employee benefits have been discussed in Note 1(m).

(ii) Other provisions is predominantly made up of \$923,000 balance estimated to be paid to a partner university as part of an CFT R&D grant funding agreement once certain conditions and requirements are met.

(b) Movements in provisions

| Year ended 30 June 2020 \$'000 | Employee benefits | Other | Total |
|-----------------------------------|----------------------|--------------|--------------|
| Opening balance | 4,970 | 548 | 5,518 |
| Charged to profit and loss | 4,017 | 599 | 4,616 |
| Amounts used during the period | (3,277) | - | (3,277) |
| Closing balance | 5,710 | 1,147 | 6,857 |

| Year ended 30 June 2019 \$'000 | Employee benefits | Other | Total |
|-----------------------------------|----------------------|------------|--------------|
| Opening balance | 3,716 | 237 | 3,953 |
| Charged to profit and loss | 3,650 | 311 | 3,961 |
| Amounts used during the period | (2,396) | - | (2,396) |
| Closing balance | 4,970 | 548 | 5,518 |

18 Issued capital

(a) Share capital

| | 30 Jun 2020 Shares | 30 Jun 2019 Shares | 30 Jun 2020 \$'000 | 30 Jun 2019 \$'000 |
|-----------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Ordinary shares | 187,196,887 | 161,375,590 | 410,915 | 371,334 |

(b) Movement in share capital

| Date | Details | No. of shares | \$'000 |
|---------------------|--|--------------------|----------------|
| 1 July 2018 | Opening balance | 161,375,590 | 371,334 |
| | No transactions in the 2019 financial year | - | - |
| 30 June 2019 | Closing balance | 161,375,590 | 371,334 |
| 22 November 2019 | Shares issued – renounceable entitlement offer (i) | 25,821,297 | 40,023 |
| 22 November 2019 | Renounceable entitlement offer costs – net of tax | - | (442) |
| 30 June 2020 | Closing balance | 187,196,887 | 410,915 |

(i) On 29 October 2019 the Company issued a notice for a fully underwritten renounceable entitlement offer to its shareholders entitling them to subscribe for 1 new ordinary share for every 6.25 existing ordinary shares held, at a price of \$1.55. As the entitlement offer was fully underwritten, all 25,821,297 ordinary shares available as part of the entitlement offer were issued on 22 November 2019.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

(c) Other securities issued

As part of the previously disclosed Long Term Incentive Plan (Omnibus Incentive Plan) for Company employees, the Company issued 657,095 options on 20 December 2019 with more information to be found in Note 26.

(d) Pre IPO distributions of equity

Prior to listing on the ASX, transactions with other entities within the previous consolidated Group were recognised as a distribution of equity to related parties.

(e) Capital risk management

The Board's policy is to maintain a strong capital base as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares and retained earnings of the Group. The Board of Directors monitors the return on capital as well as considers the potential of future dividends to ordinary shareholders. The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

19 Reserves

Share based payment reserve
Foreign exchange reserve

| Consolidated Group | |
|--------------------|--------------|
| 30 Jun 2020 | 30 Jun 2019 |
| \$'000 | \$'000 |
| 112 | - |
| (271) | (397) |
| (159) | (397) |

(a) Movement in each class of reserve

Share based payment reserve
Opening balance
Share based payments fair value recognised in profit or loss
Closing balance

Foreign exchange reserve
Opening balance
Exchange differences on translation of foreign operations, net of tax
Closing balance

| Consolidated Group | |
|--------------------|--------------|
| 30 Jun 2020 | 30 Jun 2019 |
| \$'000 | \$'000 |
| - | - |
| 112 | - |
| 112 | - |
| (397) | (371) |
| 126 | (26) |
| (271) | (397) |

(b) Details of reserves

(i) Share based payment reserve

The share based payment reserve arises on the grant of performance rights to executives under the Long Term Incentive Plan (LTI). Further information about LTI is made in note 26 to the financial statements. The Group settled the Wagner Limited Employee Share Trust to manage the share option plan.

(ii) Foreign exchange reserve

The foreign currency translation reserve records exchange differences arising on the translation of foreign controlled subsidiaries, as described in note 1(l).

20 Dividends

(a) Dividends paid

No final fully franked dividend paid during the year (2019: 3.5c per share)
No fully franked interim dividend paid during period (2019: 2.2c per share)

| Consolidated Group | |
|--------------------|--------------|
| 30 Jun 2020 | 30 Jun 2019 |
| \$'000 | \$'000 |
| - | 5,648 |
| - | 3,550 |
| - | 9,198 |

20 Dividends (continued)

(b) Dividends proposed

There are no dividends proposed to be paid as at the date of this report.

(c) Franking credits

The franking account balance available to the shareholders of the Company at year-end is \$10,750,000 (2019: \$6,061,000). This balance includes adjustments made for franking credits arising from the payment of estimated provision for 2020 income tax.

21 Earnings per share

| | 30 Jun 2020 \$'000 | 30 Jun 2019 \$'000 |
|--|------------------------|------------------------|
| Earnings used in calculating Earnings Per Share | | |
| Profit attributable to the ordinary equity holders of the Company | (17) | 12,779 |
| | | |
| | 30 Jun 2020 No.'000 | 30 Jun 2019 No.'000 |
| Weighted average number of shares used as denominator | | |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 176,967,138 | 161,375,590 |
| Adjustment for calculation of diluted EPS: | | |
| Performance rights on issue | 657,095 | - |
| Weighted average number of ordinary and potential ordinary shares used in calculating diluted earnings per share | 177,624,233 | 161,375,590 |
| | | |
| | 30 Jun 2020 Cents | 30 Jun 2019 Cents |
| Basic & Diluted Earnings Per Share | | |
| Basic earnings per share | (0.0) | 7.9 |
| Diluted earnings per share | (0.0) | 7.9 |

22 Cash flow information

(a) Reconciliation of cash flow from operation with profit after income tax

| | Consolidated Group | |
|--|-----------------------|-----------------------|
| | 30 Jun 2020 \$'000 | 30 Jun 2019 \$'000 |
| Profit after income tax | (17) | 12,779 |
| Non-cash flows in profit | | |
| Depreciation of property, plant & equipment | 14,049 | 12,942 |
| Depreciation of right-of-use assets | 4,821 | - |
| Amortisation of intangible assets | 117 | 102 |
| Fair value adjustment on derivative instruments | 1,066 | 787 |
| Net (gain)/loss on disposal of non-current assets | (321) | (2,016) |
| Performance rights | 112 | - |
| Gain on bargain purchase | (355) | - |
| Changes in operating assets and liabilities | | |
| (Increase)/decrease in trade and other receivables | (12,924) | 641 |
| (Increase)/decrease in other assets | (94) | 18 |
| (Increase)/decrease in inventories | (2,083) | (2,654) |
| Increase/(decrease) in trade and other payables | 3,310 | 395 |
| Increase/(decrease) in income taxes payable | (6,700) | 399 |
| Increase/(decrease) in deferred taxes payables | (1,177) | (884) |
| Increase/(decrease) in provisions | 1,337 | 1,472 |
| Net cash provided by operating activities | 1,141 | 23,981 |

(b) Reconciliation of financial liabilities to cash flows from financing activities

| Year ended 30 June 2020 \$'000 | Lease liabilities | Hire purchase & chattel mortgages | Finance facility | Derivatives held to hedge borrowings | Total |
|--|-------------------|-----------------------------------|------------------|--------------------------------------|----------------|
| Opening balance | - | 16,422 | 80,000 | 4,330 | 100,752 |
| Cash inflows | - | 16,943 | - | - | 16,943 |
| Cash outflows | (1,877) | (10,441) | (16,450) | - | (28,768) |
| <i>Non-cash flows in financial liabilities</i> | | | | | |
| Fair value change in derivatives | - | - | - | 914 | 914 |
| Lease liability recognition | 97,310 | - | - | - | 97,310 |
| Closing balance | 95,433 | 22,924 | 63,550 | 5,244 | 187,151 |

22 Cash flow information (continued)

(b) Reconciliation of financial liabilities to cash flows from financing activities (continued)

| Year ended 30 June 2019 \$'000 | Hire purchase & chattel mortgages | Finance facility | Derivatives held to hedge borrowings | Total |
|---|---|---------------------|--|----------------|
| Opening balance | 12,641 | 68,000 | 3,648 | 84,289 |
| Cash inflows | 14,838 | 12,000 | - | 26,838 |
| Cash outflows | (11,057) | - | - | (11,057) |
| Non-cash flows in financial liabilities | | | | |
| Fair value change in derivatives | - | - | 682 | 682 |
| Closing balance | 16,422 | 80,000 | 4,330 | 100,752 |

23 Fair value measurements

The Group measures and recognises certain financial assets and liabilities at fair value on a recurring basis after initial recognition, currently being only derivative financial instruments. The Group subsequently does not measure any other assets or liabilities at fair value on a non-recurring basis.

(a) Fair value hierarchy

AASB 13: *Fair Value Measurement* requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels as follows:

- **Level 1:** measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- **Level 2:** measurements based on inputs, other than quoted prices in active markets (Level 1), which are observable for the asset or liability, either directly or indirectly. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2.
- **Level 3:** measurements based on inputs for the asset or liability that are not based on observable market data (unobservable inputs).

23 Fair value measurements (continued)

(b) Estimation of fair values

The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- **Market approach:** valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- **Income approach:** valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- **Cost approach:** valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Fair value techniques and inputs are summarised as follows:

| Description | Fair value hierarchy | Note | Valuation technique |
|------------------------|----------------------|------|---|
| Derivative instruments | Level 2 | 16 | Income approach using discounted cash flow methodology. |

(c) Recurring fair value measurements

| | Note | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | Total \$'000 |
|------------------------------------|------|-------------------|-------------------|-------------------|-----------------|
| As at 30 June 2020 | | | | | |
| Interest rate swap contracts | 16 | - | (3,978) | - | (3,978) |
| Foreign exchange forward contracts | 16 | - | (1,050) | - | (1,050) |
| | | - | (5,028) | - | (5,028) |
| As at 30 June 2019 | | | | | |
| Interest rate swap contracts | 16 | - | (4,263) | - | (4,263) |
| Foreign exchange forward contracts | 16 | - | 301 | - | 301 |
| | | - | (3,962) | - | (3,962) |

There were no transfers between fair value hierarchies during the current and previous financial years.

24 Financial risk management

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk, and market risk consisting of interest rate risk, foreign currency risk and other price risk (commodity and equity price risk). The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed.

Risk management is carried out by a central finance department. Finance identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. Finance provides overall risk management, covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments in accordance with the Group's facilities agreement and company policies.

24 Financial risk management (continued)

The Group uses derivative financial instruments such as foreign exchange forward contracts and interest rate swaps to hedge certain risk exposures. Derivatives are exclusively used for economic hedging purposes and not as trading or speculative instruments. These derivatives are not designated hedges and the Group has therefore not applied hedge accounting. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, and aging analysis for credit risk.

(a) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

Credit risk is managed through the maintenance of procedures such as the utilisation of systems for the approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and monitoring of the financial stability of significant customers and counterparties; ensuring to the extent possible that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment.

Where the Group is unable to ascertain a satisfactory credit risk profile in relation to a customer or counterparty, these customers may be required to pay upfront, or the risk may be further managed through obtaining security by way of personal or commercial guarantees over assets of sufficient value which can be claimed against in the event of any default.

Credit risk exposures

The maximum exposure to credit risk at the end of the reporting period is equivalent to the carrying amount of trade receivables and cash and cash equivalents. The Group does not consider there to be any significant concentration of credit risk with any single/or group of customers. The Group derives revenue from two key customers (2019: two), which accounted for 27% of revenue for the financial year ended 30 June 2020 (2019: 25%). Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality, aggregates of such amounts are detailed in note 7.

(b) Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- preparing forward-looking cash flow analyses in relation to its operating, investing and financing activities;
- monitoring undrawn credit facilities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

24 Financial risk management (continued)

(b) Liquidity risk (continued)

The table below reflects an undiscounted contractual maturity analysis for financial liabilities. Bank overdrafts have been deducted in the analysis as management does not consider there is any material risk of termination of such facilities. Financial guarantee liabilities are treated as payable on demand since the Group has no control over the timing of any potential settlement of the liabilities. The table include both interest and principal cash flows and therefore the total may differ from their carrying amount in the balance sheet.

| | Within 1 year \$'000 | 1 to 5 years \$'000 | Over 5 years \$'000 | Total \$'000 |
|----------------------------------|-------------------------|------------------------|------------------------|-----------------|
| As at 30 June 2020 | | | | |
| Trade and other payables | 33,575 | - | - | 33,575 |
| Derivative financial liabilities | 3,215 | 2,029 | - | 5,244 |
| Chattel mortgages | 12,235 | 11,606 | - | 23,841 |
| Finance facility | 7,050 | 56,500 | - | 63,550 |
| Lease liabilities | 6,458 | 22,040 | 149,683 | 178,181 |
| | 62,533 | 92,175 | 149,683 | 304,391 |

| | Within 1 year \$'000 | 1 to 5 years \$'000 | Over 5 years \$'000 | Total \$'000 |
|----------------------------------|-------------------------|------------------------|------------------------|-----------------|
| As at 30 June 2019 | | | | |
| Trade and other payables | 28,242 | - | - | 28,242 |
| Derivative financial liabilities | 1,474 | 2,856 | - | 4,330 |
| Chattel mortgages | 8,673 | 7,749 | - | 16,422 |
| Finance facility | 6,000 | 74,000 | - | 80,000 |
| | 44,389 | 84,605 | - | 128,994 |

At the end of each reporting period the Group had access to the following undrawn borrowing facilities:

| | As at 30 June 2020 | | As at 30 June 2019 | |
|--------------------------|--------------------|---------------------|--------------------|---------------------|
| | Drawn \$'000 | Available \$'000 | Drawn \$'000 | Available \$'000 |
| Expiring within one year | - | - | - | - |
| Expiring beyond one year | 63,550 | 45,950 | 80,000 | 60,000 |
| | 63,550 | 45,950 | 80,000 | 60,000 |

(c) Market risk

(i) Interest rate risk

The Group's main exposure to interest rate risk is long-term borrowings. Borrowings issued at variable rates, expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk if the borrowings are carried at fair value.

Interest rate risk is managed using a mix of fixed and floating rate debt and the Group enters into interest rate swaps to convert the majority of debt to fixed rate. At 30 June 2020 78.7% (2019: 62.5%) of Group debt is at a fixed rate. It is the policy of the Group going forward to keep between 50% and 100% of debt on fixed interest rates.

24 Financial risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

Interest rate swaps

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Under these swaps, the Group agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts. The notional principal amounts of the swap contracts approximate the Group's borrowing facilities, as described above. The net interest payment, or receipt settlements of the swap contracts occur every 30 to 90 days and correspond with interest payment dates on the borrowings.

At the end of the reporting period, the Group had the following outstanding interest rate swap contracts:

| | Notional principle amount | | Interest rates |
|---------------------|---------------------------|-----------------------|----------------|
| | 30 Jun 2020 \$'000 | 30 Jun 2019 \$'000 | |
| Interest rate swaps | 50,000 | 50,000 | 3.78% |

Sensitivity analysis

The following table illustrates sensitivities to the Group's exposures to changes in interest rates. Profit or loss is sensitive to the change in interest rates from higher/lower interest income from cash and cash equivalents, and also the increase/decrease in fair value of derivative instruments as they are designated fair value through profit or loss, per note 1(j).

| | Impact on post tax profit | |
|-------------------------------------|---------------------------|-----------------------|
| | 30 Jun 2020 \$'000 | 30 Jun 2019 \$'000 |
| +100bp variability in interest rate | 239 | 573 |
| -100bp variability in interest rate | (239) | (573) |

(ii) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures.

The Group is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales & purchases are denominated and the respective functional currencies of Group companies. The functional currencies of Group companies is primarily the Australian dollar (AUD), with currently minor subsidiaries operating in United States dollars (USD) & Malaysian ringgit (RM).

24 Financial risk management (continued)

(c) Market risk (continued)

(ii) Foreign exchange risk (continued)

Foreign exchange forward contracts

At any point in time, the Group hedges 60% to 100% of its estimated foreign currency exposure in respect of forecast purchases in US Dollars (USD), being the main exposure, over the following 12 months. The Group uses forward exchange contracts to hedge its currency risk. These contracts commit the Group to buy and sell specified amounts of foreign currencies in the future at specified exchange rates, most have a maturity of less than 1 year from the reporting date. The Groups current foreign subsidiaries operations is collectively immaterial, and so the Group does not hedge against these foreign currency exposures.

The following table summarises the notional amounts of the Group's commitments in relation to foreign exchange forward contracts.

| | Notional amount | | Average exchange rates | |
|--|-----------------------|-----------------------|------------------------|-------------------|
| | 30 Jun 2020 \$'000 | 30 Jun 2019 \$'000 | 30 Jun 2020 \$ | 30 Jun 2019 \$ |
| Buy USD / sell AUD | | | | |
| Settlement within six months | 3,000 | 4,104 | 0.7016 | 0.7307 |
| Settlement between six and twelve months | 3,000 | 1,500 | 0.7050 | 0.7210 |
| | 6,000 | 5,604 | 0.7033 | 0.7281 |

Sensitivity analysis

The following table illustrates sensitivities to the Group's exposures to changes in foreign exchange rates. Profit or loss is sensitive to the change in foreign exchange rates from purchases, and also the change in fair value of derivative instruments as they are designated fair value through profit or loss, per note 1(j).

| | Impact on post tax profit | |
|----------------------------|---------------------------|-----------------------|
| | 30 Jun 2020 \$'000 | 30 Jun 2019 \$'000 |
| +10% AUD/USD exchange rate | 684 | 516 |
| -10% AUD/USD exchange rate | (684) | (516) |

24 Financial risk management (continued)

(c) Market risk (continued)

(iii) Other price risk

Other price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices largely due to demand and supply factors (other than those arising from interest rate risk or currency risk) for commodities.

The Group's exposure to commodity price risk arises from commercial transactions required for the operations of the business. To manage its commodity price risk the Group enters into fixed price contracts with its main suppliers for raw materials in its cement business. There are no derivative asset or liabilities in relation to commodity prices at year end, and so any commodity price movement would not impact reported profit for the year ended 30 June 2020.

25 Related party transactions

(a) Parent entity

Wagners Holding Company Limited is the Group's ultimate parent entity.

(b) Controlled entities

Interests in controlled entities are set out in Note 27.

(c) Key management personnel

Compensation of key management personnel during the years was as follows:

| | Consolidated Group | |
|------------------------------|--------------------|------------------|
| | 30 Jun 2020 | 30 Jun 2019 |
| | \$ | \$ |
| Short-term employee benefits | 1,354,749 | 1,425,671 |
| Post-employment benefits | 49,452 | 42,819 |
| Long-term employee benefits | 11,692 | - |
| Termination benefits | - | - |
| Share based payments | 37,737 | - |
| | 1,453,631 | 1,514,555 |

Further disclosures relating to key management personnel compensation are set out in the Remuneration report, that can be found on pages 18 to 29 of the Directors' Report.

No loans have been provided to key management personnel by the Group throughout the financial year.

25 Related party transactions (continued)

(d) Transactions with other related parties

Directors and related parties

All transactions between the Group and any Director and their related parties are conducted on the basis of normal commercial trading terms and conditions as agreed upon between the parties as per normal arm's length business transactions. Such transactions and amounts owed or owing with Director and their related parties are detailed as follows:

| Description | 2020 Revenue/ (Costs) \$ | 2020 Owed/ (Owing) \$ | 2019 Revenue/ (Costs) \$ | 2019 Owed/ (Owing) \$ |
|--|-----------------------------------|--------------------------------|-----------------------------------|--------------------------------|
| Sale of materials and services ¹ | 7,937,690 | 67,701 | 10,328,126 | 8,269,078 |
| Indemnity of losses on onerous contract | - | - | 231,941 | - |
| On charge of costs processed by the Group | 5,342 | - | 150,804 | 1,098 |
| Shared service agreement ² | - | - | 185,043 | - |
| Gain on sale of property, plant & equipment ³ | - | - | 1,664,873 | - |
| Payments for rent of property and plant , material royalties & other | (8,083,706) | (138,447) | (8,001,788) | (365,664) |
| Totals | (140,674) | (70,746) | 4,558,999 | 7,904,512 |

1 The sale of materials and services included amounts recognised over time under AASB 15 for contracts to fabricate, construct and install concrete batch plants on sites owned by related parties. These were all sold within the 2020 financial year, as such there were no Contract Assets or balances owing from the batch plant sales on the Groups balance sheet as at 30 June 2020.

2 The Group, as per the prospectus, had a shared service agreement with a related entity for shared resources & employees for a 12 month transition period from the IPO date. These shared services were charged to the related entity monthly using a number of internal business drivers and conducted on the basis of normal commercial trading terms and conditions as agreed between the parties. They expired last financial year.

3 The Group entered into a sale and leaseback contract to upgrade existing concrete batch plant assets owned by the Group and install these assets on a site owned by a related party, which the Group has subsequently leased back. The contract price for the total works of this sale (including associated site improvements and installation) was externally valued at \$6,250,000. The lease is at applicable market rates.

26 Share based payments

The Company adopted a new long-term incentive plan in connection with its admission to the ASX, the Omnibus Incentive Plan (LTI).

Performance rights are issued under the LTI, and it provides senior executives to receive a number of options, as determined by the Board, over ordinary shares. Options issued under the LTI will be subject to performance conditions that are detailed below.

The Remuneration Committee consider this equity performance-linked remuneration structure to be appropriate as senior executives only receive a benefit when there is a corresponding direct benefit to shareholders.

Expense recognised through Profit or Loss

The total expense for share based payment recognised through Profit or Loss for the financial year 30 June 2020 was \$111,586. The expense was calculated based on the probability of vesting conditions being met and the fair value of options granted. There were vesting conditions met this financial year.

Overall Options movement

Details of performance options issued, vested and expired during the financial year are set out below:

| Vesting Date | Tranche | Vesting Conditions | Performance Period ¹ | Movements | | | | 30 June 2020 |
|----------------|---------|--------------------|---------------------------------|-------------|----------------|-----------|--------------------|----------------|
| | | | | 1 July 2019 | Issued | Exercised | Expired/ Forfeited | |
| 31 August 2022 | 3 | EPS | 3 years | - | 219,031 | - | - | 219,031 |
| 31 August 2021 | 2 | EPS | 2 years | - | 219,031 | - | - | 219,031 |
| 31 August 2020 | 1 | EPS | 1 year | - | 219,031 | - | - | 219,031 |
| | | | | - | 657,095 | - | - | 657,095 |

¹ Represents the relevant period of time to which both the performance vesting condition is measured and the period of time the recipient must remain employed with the Group.

The weighted average remaining contractual life of performance options outstanding at the end of the year was 4.4 years.

26 Share based payments (continued)

Vesting Conditions

| | | |
|---|---------------------------|---|
| 1 | Vesting Dates | Tranche 1 – 31 August 2020 Tranche 2 – 31 August 2021 Tranche 3 and Remainder Options – 31 August 2022 |
| 2 | Vesting Conditions | <p>Offer Earnings Per Share (EPS) Reported EPS as at 30 June 2019 of 7.9c</p> <p>Tranche 1 On the Tranche 1 Vesting Date, if the earnings per share (EPS) of the Company as at 30 June 2020 (Tranche 1 EPS) is:</p> <ul style="list-style-type: none"> (g) at least 10% (but less than 12.5%) higher than the Offer EPS, 50% of the Tranche 1 Options shall vest; or (h) at least 12.5% (but less than 15%) higher than the Offer EPS, 75% of the Tranche 1 Options shall vest; or (i) at least 15% higher than the Offer EPS, 100% of the Tranche 1 Options shall vest. <p>Tranche 2 On the Tranche 2 Vesting Date, if the earnings per share (EPS) of the Company as at 30 June 2021 (Tranche 2 EPS) is:</p> <ul style="list-style-type: none"> (j) at least 10% (but less than 12.5%) higher than the Tranche 1 EPS, 50% of the Tranche 2 Options shall Vest; or (k) at least 12.5% (but less than 15%) higher than the Tranche 1 EPS, 75% of the Tranche 2 Options shall Vest; or (l) at least 15% higher than the Tranche 1 EPS, 100% of the Tranche 2 Options shall Vest. <p>Tranche 3 On the Tranche 3 Vesting Date, if the earnings per share (EPS) of the Company as at 30 June 2022 (Tranche 3 EPS) is:</p> <ul style="list-style-type: none"> (m) at least 10% (but less than 12.5%) higher than Tranche 2 EPS, 50% of the Tranche 3 Options shall Vest; or (n) at least 12.5% (but less than 15%) higher than the Tranche 2 EPS, 75% of the Tranche 3 Options shall Vest; or (o) at least 15% higher than the Tranche 2 EPS, 100% of the Tranche 3 Options shall Vest. <p>Additional vesting terms Any Tranche 1 or 2 Options which did not vest on the Tranche 1 Vesting Date or Tranche 2 Vesting Date respectively (Remainder Options) will vest on the Tranche 3 Vesting Date if the Tranche 3 EPS is at least 20% higher than the Tranche 2 EPS.</p> |
| 3 | Expiry Date | 5 years from the date the Options were issued. |

26 Share based payments (continued)

Fair value of performance rights granted

The assessed fair value at the date of grant of performance rights issued is determined using an option pricing model that takes into account the exercise price, the underlying share price at the time of issue, the term of performance right, the underlying share's expected volatility, expected dividends and risk free interest rate for the expected life of the instrument.

The expected price volatility is based on the historic volatility, adjusted for any expected changes to future volatility due to publicly available information.

The value of the performance rights were calculated using the inputs shown below:

| Inputs into pricing model | Tranche 1 | Tranche 2 | Tranche 3 |
|-----------------------------------|---------------------|---------------------|---------------------|
| Grant Date | 20 November 2019 | 20 November 2019 | 20 November 2019 |
| Exercise Price | \$0.00 | \$0.00 | \$0.00 |
| Vesting Conditions | Refer above | Refer above | Refer above |
| Share price at grant date | \$2.10 | \$2.10 | \$2.10 |
| Expiry date | 20 November 2024 | 20 November 2024 | 20 November 2024 |
| Life of the instruments | 5 years | 5 years | 5 years |
| Underlying share price volatility | 50% | 50% | 50% |
| Expected dividends | 1% | 1.7% | 2.1% |
| Risk free interest rate | 0.71% | 0.71% | 0.71% |
| Pricing model | Black Scholes Model | Black Scholes Model | Black Scholes Model |
| Fair value per instrument | \$1.88 | \$1.83 | \$1.78 |

27 Subsidiaries and controlled entities

The consolidated financial statements include the financial statements of Wagners Holding Company Limited and the following subsidiaries:

| Name of entity | Country of incorporation | Equity holding | |
|--|--------------------------|-------------------|-------------------|
| | | 30 June 2020 % | 30 June 2019 % |
| Wagners Queensland Pty Ltd | Australia | 100% | 100% |
| Wagner Investments Pty Ltd | Australia | 100% | 100% |
| Wagners Flyash Pty Ltd | Australia | 100% | 100% |
| Wagners Australian Operations Pty Ltd | Australia | 100% | 100% |
| Wagners Concrete Pty Ltd | Australia | 100% | 100% |
| Wagners Quarries Pty Ltd | Australia | 100% | 100% |
| Wagners Transport Pty Ltd | Australia | 100% | 100% |
| Wagners Industrial Services Pty Ltd | Australia | 100% | 100% |
| Wagners Cement Pty Ltd | Australia | 100% | 100% |
| Wagners Charter Pty Ltd | Australia | 100% | 100% |
| Wagners International Operations Pty Ltd | Australia | 100% | 100% |
| Wagners Global Projects Sdn Bhd | Malaysia | 100% | 100% |
| Wagners Global Services (Malaysia) Sdn Bhd | Malaysia | 100% | 100% |
| Wagners Services Mozambique Limiteda | Mozambique | 98.75% | 98.75% |
| Wagners Global Ventures Sdn Bhd | Malaysia | 100% | 100% |
| Wagners Global Services Mongolia LLC | Mongolia | 100% | 100% |
| Wagners Concrete Mongolia LLC | Mongolia | 100% | 100% |
| Wagners Composite Fibre Technologies Pty Ltd | Australia | 100% | 100% |
| Wagners CFT Manufacturing Pty Ltd | Australia | 100% | 100% |
| Wagners EFC Pty Ltd | Australia | 100% | 100% |
| Wagner USA Holding Company | United States | 100% | 100% |
| Wagners CFT LLC | United States | 100% | 100% |
| Wagners Manufacturing LLC* | United States | 100% | - |
| Wagners Property Holdings LLC* | United States | 100% | - |
| Wagners Holding NZ Limited * | New Zealand | 100% | - |

* Entities incorporated during the financial year

28 Capital and leasing commitments

(a) Chattel mortgage commitments

Commitments for minimum chattel mortgage payments payable are as follows:

| | Consolidated Group | |
|--|-----------------------|-----------------------|
| | 30 Jun 2020 \$'000 | 30 Jun 2019 \$'000 |
| Minimum payments | | |
| Within twelve months | 12,235 | 9,216 |
| Between twelve months and five years | 11,606 | 7,979 |
| Total minimum payments | 23,841 | 17,195 |
| Less: future finance charges | (917) | (773) |
| Present value of minimum payments | 22,924 | 16,422 |
| | | |
| Current liability | 11,665 | 8,673 |
| Non-current liability | 11,259 | 7,749 |
| | 22,924 | 16,422 |

(b) Operating lease commitments

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

| | Consolidated Group | |
|--------------------------------------|-----------------------|-----------------------|
| | 30 Jun 2020 \$'000 | 30 Jun 2019 \$'000 |
| Within twelve months | - | 4,725 |
| Between twelve months and five years | - | 17,138 |
| Greater than five years | - | 111,312 |
| | - | 133,175 |

The Group leases various properties under non-cancellable operating leases, the property leases have varying terms, clauses and renewal rights. From 1 July 2019, in line with AASB 16 *Leases*, the Group recognised right-of-use assets for the operating leases outstanding from the prior financial year (see Note 10).

(c) Capital expenditure commitments

Capital expenditure commitments contracted for but not recognised as liabilities at the end of the financial year is as follows:

| | Consolidated Group | |
|----------------------|-----------------------|-----------------------|
| | 30 Jun 2020 \$'000 | 30 Jun 2019 \$'000 |
| Within twelve months | 487 | 776 |

29 Contingent assets and liabilities

The Group enters into arrangements in the normal course of business, whereby it is required to supply a performance guarantee to its customers. These guarantees are provided in the form of performance bonds issued by the Group's financial institution or insurance company.

The probability of having to make a payment in respect to these performance bonds is considered to be highly unlikely. As such, no provision has been made in the consolidated financial statements in respect of these contingencies.

30 Auditor's remuneration

During the financial year the following fees were paid or are payable to the Groups auditor:

| | Consolidated Group | |
|---|--------------------|-------------------|
| | 30 Jun 2020 \$ | 30 Jun 2019 \$ |
| BDO Audit Pty Ltd & related companies | | |
| Audit services | | |
| Audit and review of financial statements – <i>BDO Audit Pty Ltd</i> | 225,302 | 217,448 |
| Total audit services | 225,302 | 217,448 |
| Non-audit services | | |
| Taxation services – <i>BDO (QLD) Pty Ltd</i> | 13,000 | - |
| Total non-audit services | 13,000 | - |
| Total amount paid or payable to auditor | 238,302 | 217,448 |

31 Parent entity financial information

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.

| | 30 Jun 2020 \$'000 | 30 Jun 2019 \$'000 |
|---|-----------------------|-----------------------|
| Statement of financial position | | |
| Assets | | |
| Current assets | 241 | 1,056 |
| Non-current assets | 127,077 | 73,804 |
| Total assets | 127,318 | 74,860 |
| Liabilities | | |
| Current liabilities | 18,609 | 7,497 |
| Non-current liabilities | 6,691 | 4,758 |
| Total liabilities | 25,490 | 12,255 |
| Equity | | |
| Issued capital | 410,915 | 371,334 |
| Distribution to related entities | (355,010) | (355,010) |
| Reserves | 112 | - |
| Retained earnings | 46,001 | 46,281 |
| Total equity | 101,828 | 62,605 |
| Statement of profit or loss and other comprehensive income | | |
| Total profit for the financial year | (280) | 1,907 |
| Total comprehensive income for the financial year | (280) | 1,907 |

(a) Contingent assets and liabilities

The parent entity does not have any contingent assets or liabilities as at 30 June 2020.

(b) Guarantees entered into by the parent entity

The parent entity has not entered into any guarantees.

(c) Contractual commitments for the acquisition of property, plant or equipment

The parent entity had no contractual commitments for the acquisition of property, plant or equipment (2019: \$nil).

32 Business combinations

Shepton Quarry acquisition

On 19 June 2020, the Group acquired 100% of the interests of the Shepton Quarry from Central Highlands Regional Council. The quarry is located in Capella, Central Queensland and enables the Group to expand its presence in the Central Queensland minerals province.

(i) Details of the purchase consideration are as follows:

| | \$'000 |
|-------------------------------------|--------------|
| Purchase consideration | |
| Cash paid | 2,050 |
| Deferred payment | 1,992 |
| Total purchase consideration | 4,042 |

(ii) The assets and liabilities recognised as a result of the acquisition are as follows:

| | Note | Fair value \$'000 |
|---------------------------------|----------|----------------------|
| Inventories | | 157 |
| Property, plant & equipment | | 4,274 |
| Deferred tax liability | | (34) |
| Net assets acquired | | 4,397 |
| Gain on bargain purchase | 3 | 355 |

(iii) During the period from acquisition to 30 June 2020, Shepton Quarry contributed revenues of \$579,000 and earnings before interest and tax of \$374,793. If the acquisition had occurred on 1 July 2019, revenue and earnings before interest and tax for the period ended would have been \$4,629,000 and \$635,000 respectively. These amounts have been calculated using information provided by the vendors and adjusted for:

- any differences in accounting policies; and
- any additional depreciation or amortisation that would have been charged assuming the fair value of each asset had applied from 1 July 2019.

(iv) Acquisition related costs of \$216,000 in respect of this acquisition is included in other expenses in the profit or loss.

33 Events occurring after the reporting period

To the Directors' best knowledge, there has not arisen in the interval between 30 June 2020 and the date of this report any item, any other transaction or event of a material and unusual nature that will, or may, significantly affect the operations of the Group.

In addition, while the COVID-19 situation remains concerning, between 30 June 2020 the date of this report, there has been no COVID-19 impacts on the operations of the Group. However, due to the fluid nature of this pandemic the Group will continue to monitor the unfolding situation and adjust operations for minimal impacts where required.

Wagners Holding Company Limited

Directors' declaration

In accordance with a resolution of the directors of Wagners Holding Company Limited, the directors of the Company declare that:

- (a) the consolidated financial statements and notes, as set out on pages 32 to 86, are in accordance with the *Corporations Act 2001*, including:
 - i. complying with the Corporations Regulations 2001 and Australian Accounting Standards and Interpretations, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards; and
 - ii. giving a true and fair view of the consolidated Group's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and
- (b) in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (c) the directors have been given the declarations required by s295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer, for the financial year ended 30 June 2019.



Mr. Denis Wagner

Chairman

Dated at Toowoomba, Queensland on 25 August 2020.

INDEPENDENT AUDITOR'S REPORT

To the members of Wagners Holding Company Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Wagners Holding Company Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Revenue recognition and measurement

| <i>Key audit matter</i> | <i>How the matter was addressed in our audit</i> |
|--|--|
| <ul style="list-style-type: none"> The Group's disclosures about revenue recognition are included in Note 1(c) and Note 3, which details the accounting policies applied and disclosures relating to AASB 15 <i>Revenue from Contracts with Customers</i>. The assessment of revenue recognition was significant to our audit because revenue is a material balance in the financial statements for the year ended 30 June 2020. The assessment of revenue recognition and measurement required significant auditor effort. | <p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> Assessing the revenue recognition policy for compliance with AASB 15 Revenue from Contracts with Customers Documenting the processes and assessing the internal controls relating to revenue processing and recognition Tracing a sample of revenue transactions to supporting documentation Performing substantive analytical procedures on the monthly sales for each material component Assessing the adequacy of the Group's disclosures within the financial statements |

Other information

The directors are responsible for the other information. The other information comprises the information contained in the Annual Financial Report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the Annual Report, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

Responsibilities of the directors for the Financial Report

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

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

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In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 18 to 29 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Wagners Holding Company Limited, for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit Pty Ltd



C K Henry
Director

Brisbane, 25 August 2020

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