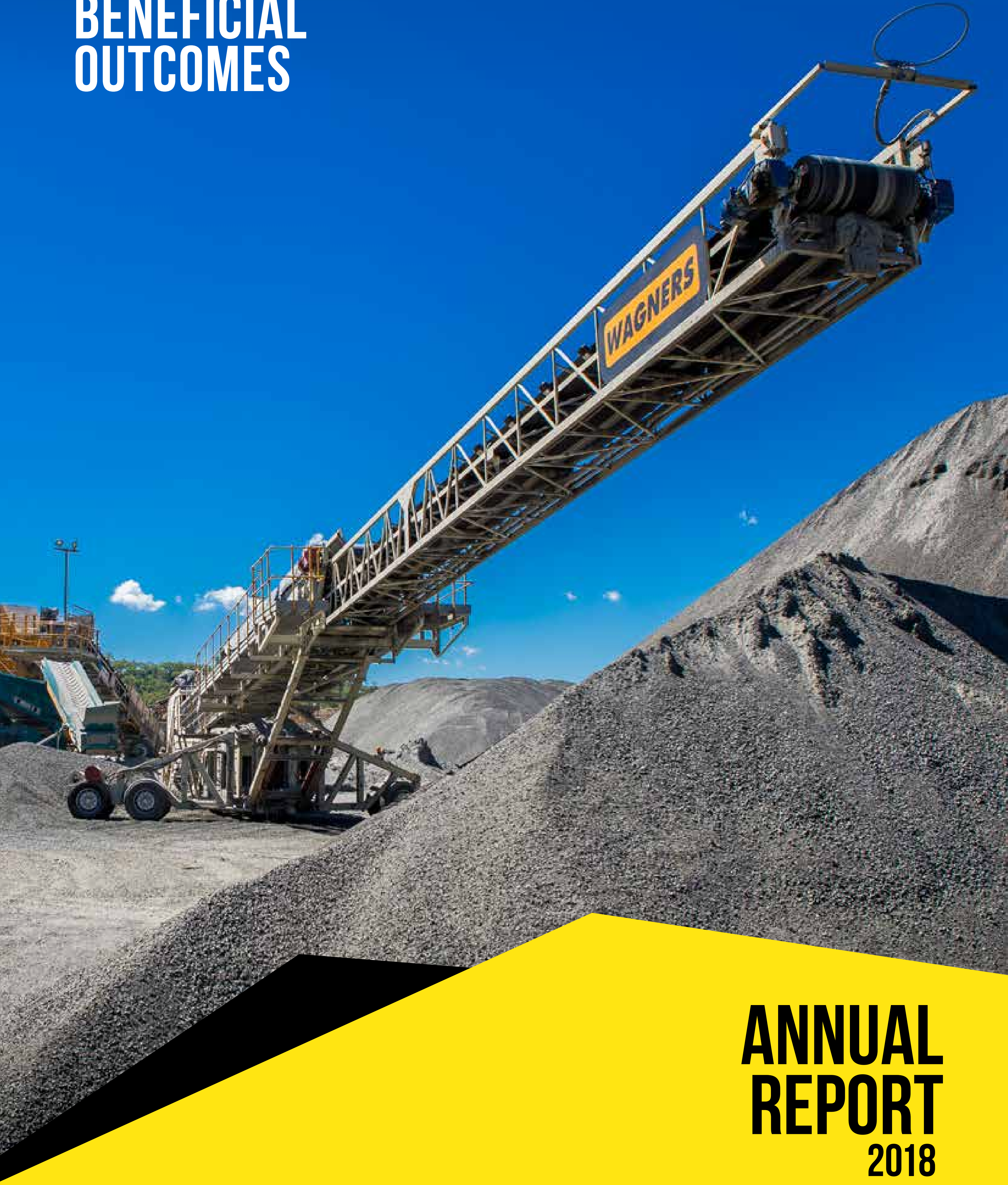
# INTREPID PROGRESS
# BENEFICIAL OUTCOMES

WAGNERS




# ANNUAL REPORT
## 2018

# AT WAGNERS, WE DELIVER ON OUR COMMITMENTS


## CONTENTS



### INTEGRATED REPORTING FRAMEWORK

This Annual Report has been prepared with reference to the International Integrated Reporting (IR) Framework. The voluntary framework focuses on reporting how strategy, governance, performance and outlook, in the context of external environment, contribute to the creation of value for an organisation. Wagners will continue to evolve its integrated reporting processes over time, based on the principles outlined in the framework (www.theiirc.org). The Board of Directors and Senior Management Team have been closely involved in the preparation of this report, and are satisfied with the accuracy of material issues and reported detail.

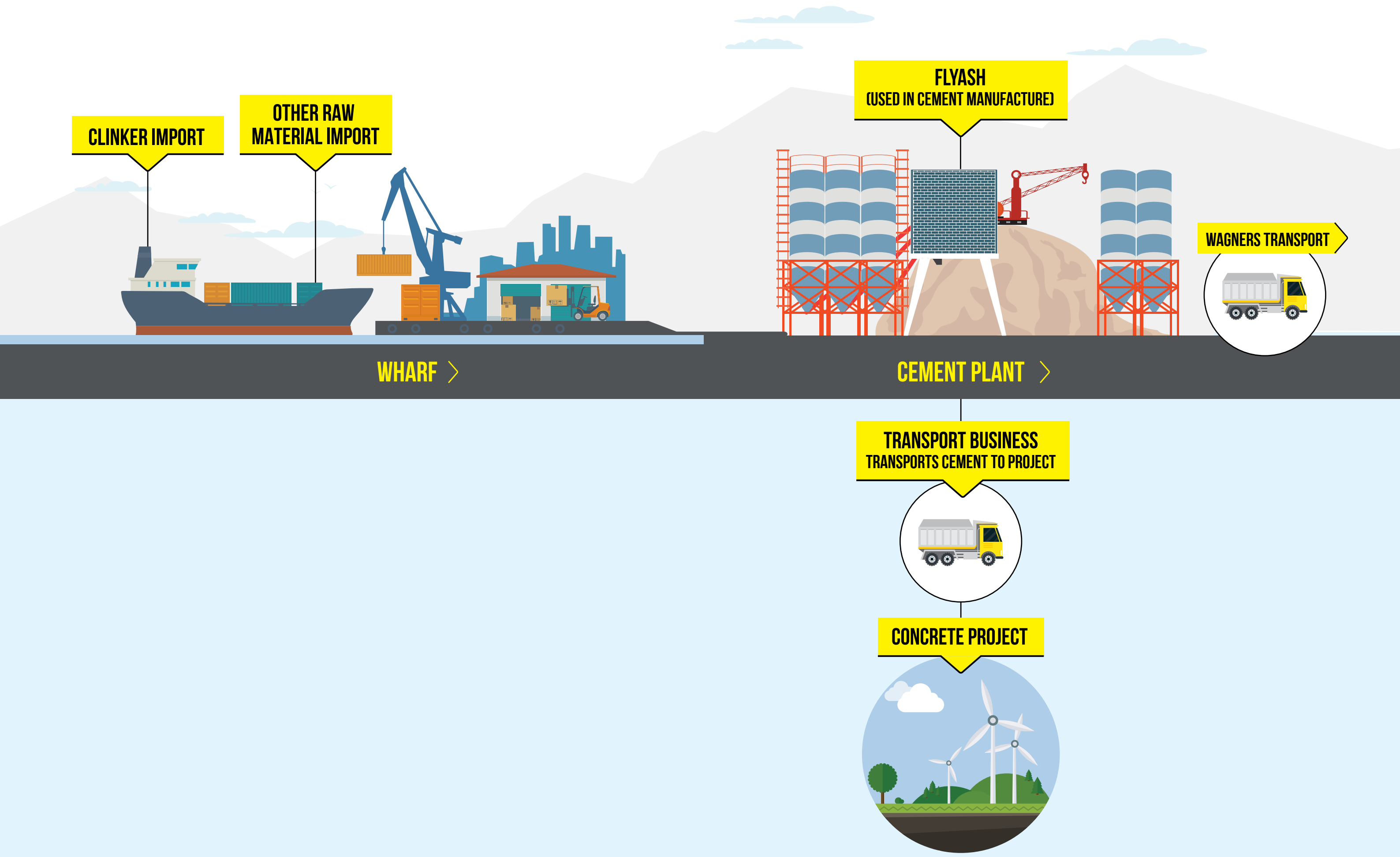
# ABOUT WAGNERS

## WHO WE ARE

Wagners is an innovative Australian construction materials and services provider. From our foundation as an independently owned company nearly 30 years ago in Toowoomba, Queensland, Wagners is now an ASX-listed operator in domestic and international markets.

With a reputation as a trusted provider to major construction and infrastructure customers and projects, our team of dedicated and talented employees is known for high-quality, efficient delivery and an outstanding safety and quality culture.

Wagners' long-term commitment to innovation has resulted in our New Generation Building Materials (NGBM), a range of industry-leading, environmentally sustainable building materials and technologies, which are in increasing demand from customers both in Australia and overseas.

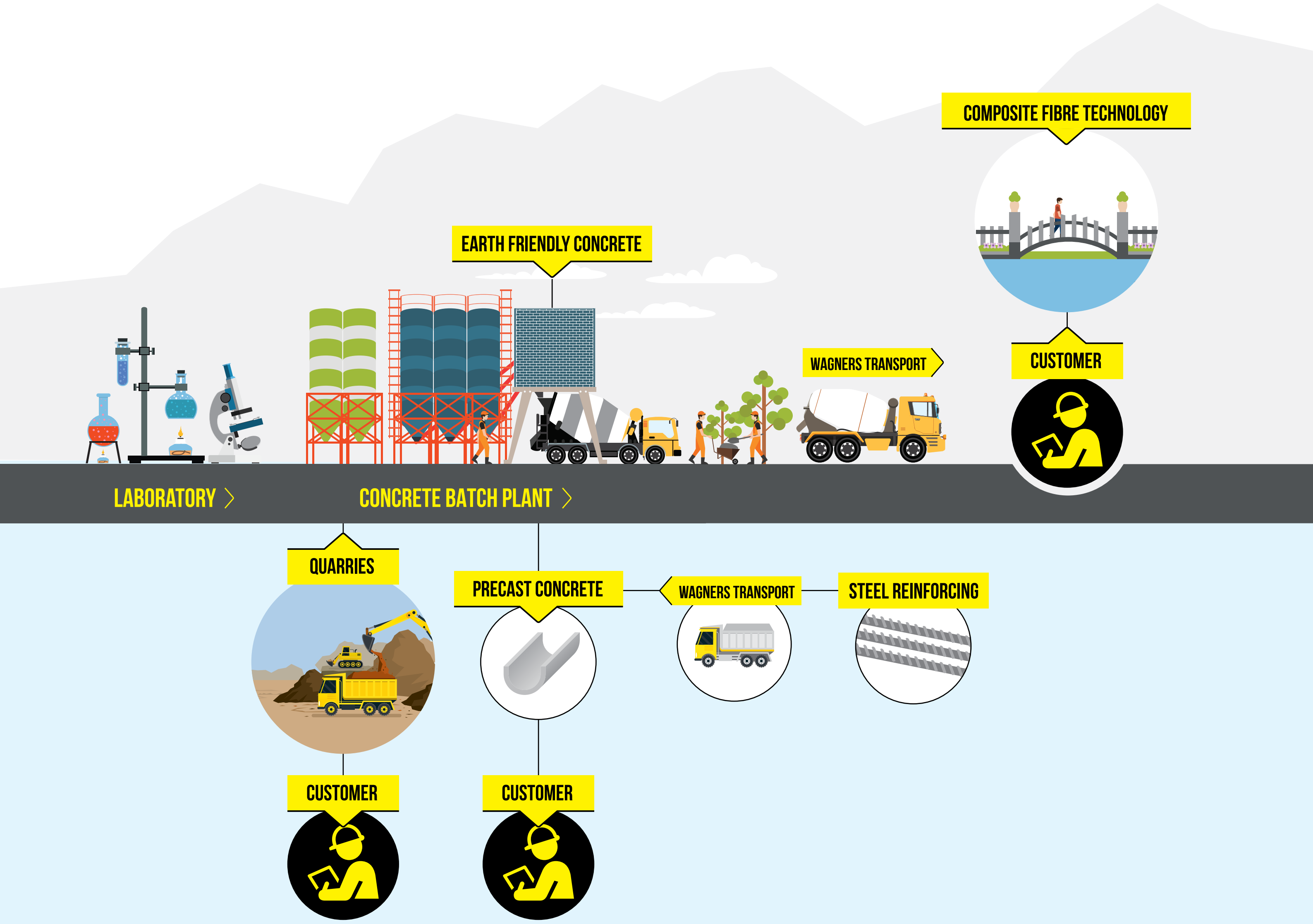


## OUR BUSINESS

New product development, innovation and integration are the cornerstones of our growth strategies. They are the hallmarks of Wagners' success.

Our drive for continual process improvement is reflected in our high-performing safety culture, empowering personal and team accountability and responsibility, backed by company investment in leading compliance and monitoring systems and training.

Our Guiding Principles underpin all our decision-making. 'Striving for intrepid progress' means we are prepared to 'go beyond', creating value and aiming for beneficial outcomes for all our stakeholders – shareholders, customers, employees, community. We tackle challenges and go places others will not, seek value and growth, and create rewarding roles that encourage and support our employees to deliver standout performance.



## OUR GUIDING PRINCIPLES

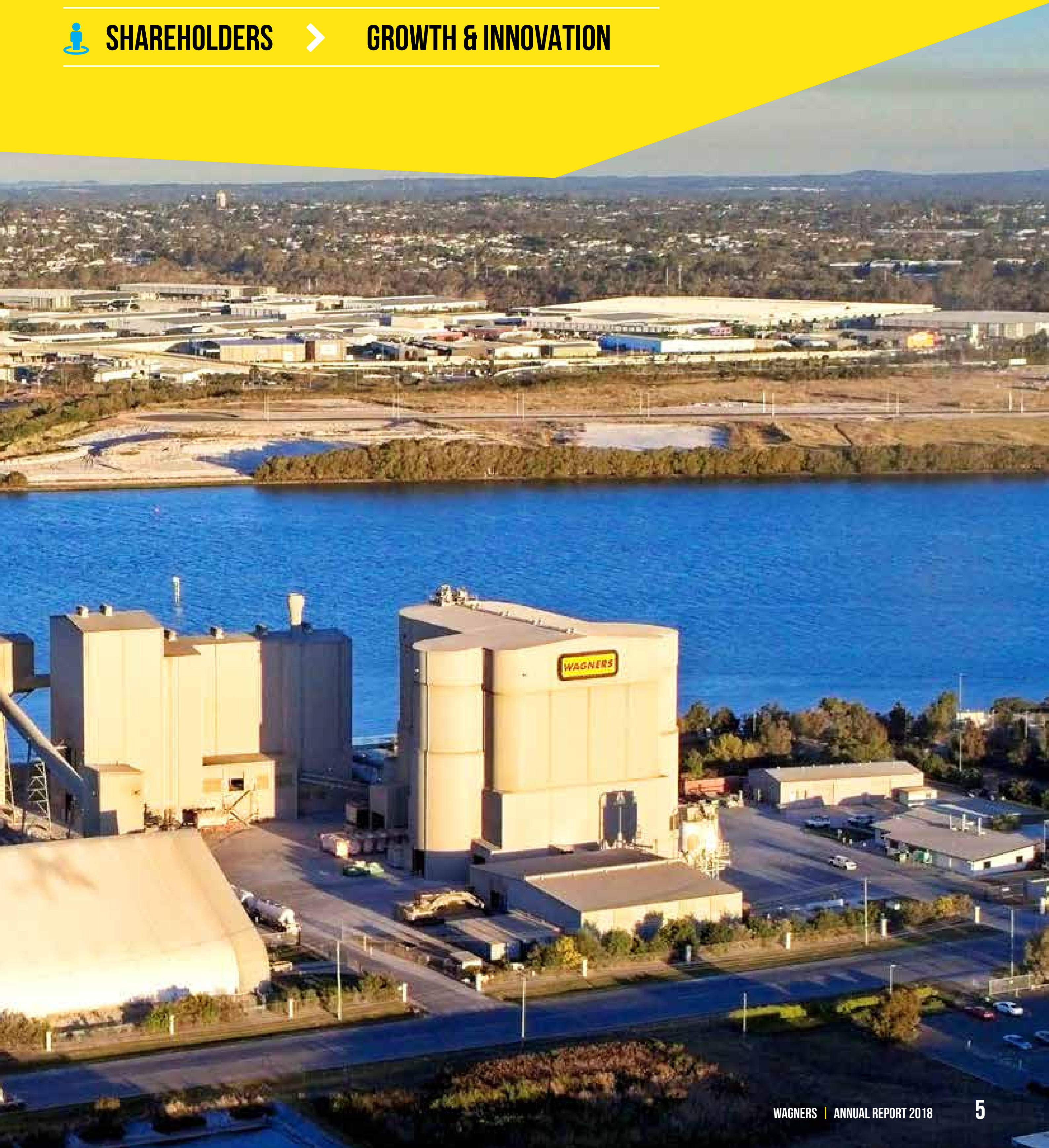
At Wagners we strive for intrepid progress to achieve beneficial outcomes and we will:

- DEAL WITH **INTEGRITY**
- WORK **TOGETHER** TO OVERCOME CHALLENGES
- WORK IN A **SAFE** ENVIRONMENT
- BE **FAMILY** CONSCIOUS
- ENCOURAGE AND **ACKNOWLEDGE** SUCCESS
- FOSTER **INNOVATION**
- **REQUIRE** QUALITY AND EXCELLENCE

# IT'S FAIR

**Through intrepid progress, we have delivered beneficial outcomes:**

| | | |
|---|---|---|
| CUSTOMERS | > | QUALITY |
| EMPLOYEES | > | SAFETY |
| COMMUNITY | > | ENVIRONMENT |
| SHAREHOLDERS | > | GROWTH & INNOVATION |



# OUTLOOK: STRATEGIC FOCUS 2019-2020

## WAGNERS: STRIVING FOR INTREPID PROGRESS TO ACHIEVE BENEFICIAL OUTCOMES. A WORLD-CLASS PROVIDER OF CONSTRUCTION MATERIALS AND SERVICES TO OUR CUSTOMERS.

### ONGOING STRONG CORE BUSINESS GROWTH

- Expand pre-mix concrete business in south-east Queensland (established and greenfield sites)
- Acquire quarries to support concrete business expansion
- Maintain security of supply chain for cement/concrete business
- Prioritise and actively pursue opportunities providing end-to-end solutions and customer projects that deliver vertical integration
- Expand our haulage services business for both internal needs and resource industry
- Identify and develop opportunities that maximise the utilisation/capacity of cement, flyash and quarry assets
- Explore/pursue acquisition/investment/relationship opportunities that provide accretive value to our existing core assets
- Position our business to participate and execute various infrastructure projects planned domestically/globally

### GLOBAL GROWTH FOR NEW GENERATION BUILDING MATERIALS (NGBM)

- Expand Composite Fibre Technology (CFT) business globally by executing sales into the identified global markets and opportunities (US, UK, Australia/NZ), including pedestrian infrastructure and short-span road bridge market in the US
- Continue to develop and commercialise our Earth Friendly Concrete (EFC®) technology, focusing on sales into identified international markets and providing the technology to create value to asset owners – whole-of-life cost benefit due to product durability
- Secure and operationalise EFC® opportunities in Germany, Singapore and NZ – ongoing commercialisation and licensing
- Achieve standards certification and benchmarking to underpin continued industry leadership – Australia, Germany
- Grow production capacity through in-house design and delivery of production facilities
- Cross-train for EFC® expertise into south-east Queensland (SEQ) concrete business

### OPERATIONAL EXCELLENCE AND FUTURE FOCUS

- Foster innovation across all areas of business through:
  - identification of new revenue streams/product lines
  - product development in areas that use our exciting NGBMs
  - ongoing pursuit of government grant opportunities to support research and development investment
- Drive operational efficiencies across the business, using our strong innovation culture as a catalyst
- Maintain and grow market leadership through ongoing focus on Guiding Principles
- Grow sustainability leadership – all divisions
- Focus on stakeholder engagement – customer, government, community, industry, employees
- Action 'Employer of Choice' initiatives
- Drive and continue to reward safety, quality, and environment focus

## DRIVERS OF VALUE CREATION

Safety, quality, environment | Capital investment | Research and development | Marketing and brand reputation | Expertise and entrepreneurship | People, training, development | High corporate and financial governance standards | Customer and supplier relationships | Industry leadership | Agility and responsiveness

## RESOURCE ALLOCATION

- Workforce capability – traineeships, professional and leadership development, career pathways
- Intellectual property – ongoing investment in industry-leading product and service design, research and development, sustainability
- Marketing
- Capital investment

# WAGNERS' BUSINESS MODEL

## CONSTRUCTION MATERIALS AND SERVICES (CMS)

### $216.3 MILLION REVENUE FY18

### PRODUCTS

- Cement
- Flyash
- Quarry materials
- Aggregates
- Pre-mix concrete
- Precast and prestressed concrete products
- Reinforcing steel

### SERVICES

- Site concrete batch plants
- Contract crushing
- Workshop
- Transport and haulage services

### OUTPUTS

- Providing solutions to construction, infrastructure and resource industry projects
- Long-term contracts in construction materials and resources sectors – domestic and international

## NEW GENERATION BUILDING MATERIALS (NGBM)

### $29.1 MILLION REVENUE FY18

### PRODUCTS

- Composite Fibre Technology – electrical cross-arms, pedestrian infrastructure, road and other bridge structure solutions
- Earth Friendly Concrete

### OUTPUTS

- Manufacturing and supply of innovative and environmentally sustainable construction materials and finished products

## STRENGTHS

- Pipeline of future domestic and offshore construction projects
- Entrepreneurial and opportunistic approach to domestic and international infrastructure projects
- Continued commitment to investment in training and development
- Highly skilled, motivated, talented workforce with strong work ethic and good culture
- Focused approach on opportunities that deliver value to our vertically integrated business model
- In-house capability in research and development, product development, laboratories, maintenance, engineering and fabrication

## BUSINESS MODEL DEPENDENCIES

### EXTERNAL

- Various supply chain inputs
- International demand for NGBM products
- Global and domestic infrastructure construction activity
- Environmental legislation and community expectations
- Demand for environmentally sustainable materials and products
- Building code reform and international certification achievement for EFC®

### INTERNAL

- Cement production and cost of production
- Research and development, and innovation, across all lines of business
- Relationships with key suppliers and service providers
- Safety and quality performance
- Ability to capitalise on infrastructure/mining development cycles
- Workforce commitment to Guiding Principles

# OUR PERFORMANCE HIGHLIGHTS

## GROWTH

### FINANCIAL PERFORMANCE

**24.8 PER CENT**
Pro forma EBITDA growth of 24.8 per cent to $50.3m

### PRODUCTION AND DELIVERY

**5,000,000**
tonnes hauled

**3,800,000 KM**
travelled

**21 PER CENT**
growth in cross-arm sales volume

**22 PER CENT**
growth in pedestrian infrastructure and bridge sales

**1,945 $M^3$**
of EFC® batched and delivered for R&D and commercial projects

### MAJOR PROJECTS 2018

**Wharf at Wagners' Pinkenba cement plant** – construction and commissioning

**Toowoomba Second Range Crossing** – supply of construction materials and prestressed concrete bridge elements

**Sapphire Wind Farm project, northern NSW** – manufacture and delivery of high-specification concrete

**South-east Queensland concrete and quarry market renewed push** – batch plant and quarry established in Toowoomba; first plant operational in Brisbane

**Significant capital investment in haulage assets** – to service long-term bulk haulage and resources sector services contracts

**Vertical integration** – each project providing vertical integration benefits through cement, flyash, aggregates, and transport businesses

## MAJOR PROJECTS – WHAT'S NEXT?

**Composite fibre pultrusion machines** – in-house design/fabrication of two new machines to service business growth, including international opportunities

**Concrete plant manufacturing** – in-house design/construction of additional facilities across south-east Queensland

**Additional quarry assets** – progress approval and development

**International projects for construction materials and services** – identify and execute

**Accretive value for core business units** – investigate acquisition opportunities

# OUR PERFORMANCE HIGHLIGHTS

## INNOVATION

**Government grants secured for NGBMs –** research and development, accreditation/benchmark standards

**Research and development –** CFT new product applications

**Collaboration** with robotic manufacturing industry to design and install a fully automated cross-arm manufacturing cell

**Award-winning EFC® technology:**

- continued development to enable penetration into different markets/geographical locations
- investment in research and development, demonstrating Wagners' corporate social responsibility by providing significant carbon emission reduction/superior flexural strength and durability performance (compared to carbon-intensive traditional concrete)
- **University of NSW partnership for EFC®** – Port Kembla geopolymer shore protection project

**Acid-resistant concrete manufacture –** industry-leading product, providing durable solutions for highly corrosive sewer tunnel applications internationally

## PEOPLE

**19**

traineeships/apprenticeships in place

**39**

employees recognised for long service – 5, 10 and 20 Year Club

**Automated payroll time and attendance system** successfully implemented

**Exceptional leaders** graduating from our leadership programs

**Workforce skills development**, including for local project employees

**Culture and sporting sponsorship program** encouraging employee/family participation

**Community involvement** and support through sponsorships, donations, fundraising activities and events

# SAFETY, ENVIRONMENT, QUALITY

**Excellent commitment to safety culture** and safety management policies, procedures, compliance and monitoring system – company-wide

## ZERO LTIs

Zero lost-time injuries

## 400

**average hazard alert reports** per month – exceptional reporting culture, tailored software

**Best-ever hazard reporting rate** – June 2018

**Exceeding Safety Conversation targets** (manager accountability)

**Board involvement** in safety sessions at each Board meeting

**Successful audit** and renewal of ASNZS4801–Safety and OHSAS18001–Occupational health and safety management systems

**Achieved ISO140001**– Environment Management Systems Certification

# CHAIRMAN'S LETTER

To my fellow Shareholders of Wagners Holding Company Limited

## IN MAY OF 2017, MY BROTHERS AND I DECIDED TO LIST THE WAGNERS CONSTRUCTION MATERIALS AND NEW GENERATION BUILDING MATERIALS BUSINESS ON THE AUSTRALIAN STOCK EXCHANGE.

The listing came to fruition on 8 December 2017, and we have enjoyed almost 10 months in the public domain.

While the responsibilities and accountability of being a publicly listed company are a quantum shift from a family-owned enterprise, I can categorically say that both as a business and as a family we were ready for this step. The listing has been beneficial to all shareholders, particularly those initial shareholders who showed confidence in the Board, our executive management team and our business strategy.

We welcomed three Non-Executive Independent Directors to the Board, Ross Walker, Lynda O'Grady and Peter Crowley, who joined John and myself on the Board. Our Executive Management Team, led by our CEO, Cameron Coleman, has adapted well to the rigours of running a successful enterprise with a much wider shareholder base. A key focus has been on maintaining our culture that has evolved over the past 29 years – a culture that fosters the ability to get things done and to do things smarter while always maintaining a safe environment for our people.

In 2004, we formulated our Guiding Principles. On many occasions, we articulate to our people that if a decision is to be made, that decision needs to be consistent with our Guiding Principles. This has enabled our management team and every employee to feel empowered to make decisions for the betterment of the company.

At the commencement of each Board meeting we spend two hours with a wide array of people from every level of operations talking about safety, environment and the quality of our products and services. These sessions enhance the safety culture within the company and provide the Board with a real insight into the heart of the business. To hear comments from an apprentice, a transport driver, a plant operator or a sales representative, highlights the real issues we face as a company.

Our FY18 results were in line with the financial forecasts detailed in the Prospectus and have set a solid platform for business growth in the coming years.

The year presented a number of challenges including delays with some larger projects. We completed the concrete supply on the Sapphire Wind Farm, our first major supply into the renewable energy sector. We are currently supplying products to the Coopers Gap Wind Farm and we see significant opportunities in renewable energy infrastructure. Our transport business has benefited from the upturn in the mining sector and we have a positive outlook for years to come. The cement business performed well and continues to strive for efficiencies in production and logistics. The infrastructure program in Queensland has not rolled out as quickly as expected, however we are confident demand for cement will increase in line with infrastructure spend. There will be some challenges in this sector in FY20 however our position as a low-cost producer with control over the manufacturing process will work well through this period. Our plans to roll out a concrete plant network throughout south-east Queensland are progressing, which will support cement volumes in the future.

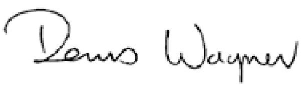
The New Generation Building Materials division has set a good platform for growth into the future. We have a dedicated sales team based throughout Australia, New Zealand and the United States.

Our team has identified significant opportunities for our composite products in these markets and has recently been awarded our first major project in Florida USA. There is a growing pipeline for our CFT products internationally. In New Zealand we have secured a long-term supply contract for power pole cross-arms and have been successful on two large pedestrian structures in Auckland. We have supplied our first composite cross-arms in the United Kingdom and are confident this market will also adopt our products going forward.

The development of our Earth Friendly Concrete technology progresses well with much interest in the technology in acid-resistant applications. We completed the construction of the Pinkenba Wharf using integrated CFT girders with EFC® decks. This work was all done in-house – the fabrication of the piles and headstocks, the manufacture of the composite deck girders, and the precast EFC® decks. This technology is a world first and the products have received significant interest from other infrastructure owners.

2018 has been a year where we have laid the foundations for Wagners to grow in the heavy construction materials business as well as in composites and EFC®. The Board remains positive on our outlook for FY19, which will depend on the timing of some large contracts and the roll-out of infrastructure spending across Australia.

Regards



**Denis Wagner**
Chairman

The listing has been beneficial to all shareholders, particularly those initial shareholders who showed confidence in the Board, our management team and our business strategy.

# CEO'S REPORT

**AT WAGNERS, WE HAVE A REPUTATION FOR DOING WHAT WE SAY WE ARE GOING TO DO.**

It gives me great satisfaction to introduce our first annual report as a public company by saying thank you to our team who have done just that throughout a busy and intense year. Their efforts have delivered not only excellent financial results, but strong continued achievement in our core businesses and major projects, and exciting growth opportunities with continuing commitment to beneficial outcomes for both our customers and our business.

This annual report highlights our achievements and looks to a future of growth, quality delivery, innovation and entrepreneurship, as we pursue opportunities here in Australia and in our emerging overseas markets.

## Financial results and capital investments

The business has performed well this financial year, achieving pro forma EBITDA of $50.3 million. This is consistent with the pro forma EBITDA of $50.0 million outlined in the Prospectus.

Targeted capital investment in 2018 has underpinned our ability to deliver our future strategy and fulfil our growth expectations, and included:

» a greenfield quarry site, to supply the booming south-east Queensland and Gold Coast markets

» new truck and trailer assets to service new transport contracts secured this year

» additional pultrusion machines, designed and built in our own workshop, to increase the capacity of our industry-leading Composite Fibre Technology (CFT) production

» Toowoomba and Wacol concrete plants, securing a significant competitive advantage in our home market to support growth in civil infrastructure projects, with pull-through benefits for our cement, flyash, aggregates and reinforcing steel businesses.

Future capital expenditure will be directed to further installations of concrete and quarry plant and equipment, expansion of manufacturing facilities and distribution networks, and enhancing end-to-end supply chain capability. New infrastructure and capacity for our New Generation Building Materials (NGBM) business are also planned.

## Wagners' people

Ensuring operations were not disrupted through the smooth transition from private ownership to public company, while maintaining stability of strategic direction, customer service, reputation and delivery during that transition, were top of the management team's agenda in 2018.

With a mix of home-grown talent, experience and new skills, the management team combined has over 80 years of Wagners' experience. They have ably embraced the dual challenges of assuming authority and responsibilities from the founding shareholders while still making sure we work together to achieve our common goals and collaborate effectively across the business wherever we can.

While Wagners is a diverse organisation with a broad geographic footprint, our Guiding Principles give us a shared culture. The benefits of vertical integration are only truly possible when the various teams work together, sharing knowledge, effort and responsibility for deadlines. The successful completion of several major projects this year, including the new wharf at our Pinkenba cement plant and the Toowoomba Second Range Crossing, is testament to our effective cohesive approach.

Similarly, we have an excellent track-record of productive relationships with our customers, government stakeholders and our community. We continue to highlight reputation-building opportunities as important components in our strategic planning.


... we have an excellent track-record of productive relationships with our customers, government stakeholders and our community

I am extremely proud and appreciative of the amazing work ethic right across the organisation. There is a genuine passion for the business, an entrepreneurial spirit, and a daily commitment to our safety, environment and quality requirements as non-negotiables.

Wagners operates a best-in-class safety monitoring and reporting system, with the overarching purpose of making sure everyone goes home safely to their family every day. All employees are empowered to report and address issues through our online system, and have the power to stop operations and escalate issues if something is not safe. Nothing overrides the safety of our team. Our total recordable injury frequency rates show this is now embedded in our culture and is in no way negotiable.

As the business grows, so too do the employment and career opportunities we can offer as an industry leader. Our ability to continue to attract, retain and engage committed and skilled employees is a critical future success factor, and we have a range of employee engagement and leadership development initiatives in place to support our aspiration to be an employer of choice.

## Outlook

Every organisation talks about 'innovation' but at Wagners we are constantly challenging ourselves to look at better and different ways of tackling every aspect of production and identifying growth opportunities.

Research and development have always been part of our DNA. This applies not just to 'what's next?' for our New Generation Building Materials divisions, but also to applying our existing knowledge and experiences to design stronger business models and identify growth initiatives in each of our divisions.

In 2019 and beyond, we see many significant opportunities coming from a resurgence of the Australian resource sector, the continued expansion of our concrete and quarries business in Queensland, the imminent start of major south-east Queensland infrastructure projects and growing momentum in our new CFT business in the USA.

We also have a number of other international opportunities, particularly for our NGBM products – CFT and our Earth Friendly Concrete (EFC®) – including an established business presence in the UK and New Zealand and prospects in India, Europe and the Middle East. Operating globally brings many regulatory, governance and logistics challenges. The substantial experience and expertise gained from successful past operations in locations such as Russia and Papua New Guinea will ensure careful planning, execution and risk mitigation.

My thanks to the Board of Directors for their guidance and support in this crucial year as we have taken our first steps as a public company.

To our shareholders, I assure you of my dedication to delivering returns that justify your continuing confidence.

Our goal in the years ahead is to leverage the Wagner heritage of success and performance, while forging and executing new and exciting plans for the future.

**Cameron Coleman**

# OUR DIVISIONS – OPERATIONAL REPORTS

## NEW GENERATION BUILDING MATERIALS

### WAGNERS' NEW GENERATION BUILDING MATERIALS DIVISION IS NOW A GLOBAL BUSINESS WITH REVENUE OF $29.1 MILLION AND BURGEONING DEMAND FOR ITS INNOVATIVE CFT AND EFC® PRODUCTS.

Wagners is a world-leader in this area, commercialising high-strength, lightweight, low-carbon alternatives to traditional construction materials. In line with our 'home-grown' philosophy, we have developed valuable intellectual property and are continuing to invest in research, design and marketing of the sustainable and environmentally responsible products, which are now attracting increasing interest both in Australia and in new overseas markets.

Importantly, every successful project using either CFT or EFC® becomes a 'live advertisement', with some excellent examples of the products' application and durability acting as proof-points for potential customers.

As a pioneer in this field, Wagners has a growing reputation for high-quality solutions and project management, and for specialist support and advice for customers during design and specification phases.

CFT Application, Newcastle Memorial Walk

### Composite Fibre Technologies (CFT)

With attractive properties of superior lightweight strength and greater resistance to rust, corrosion and chemical attack, Wagners' CFT products have left the limitations of traditional construction materials and the challenges of dwindling hardwood timber supply and durability behind.

Initially targeted at the energy and civil construction industries, Wagners' CFT products are increasingly commissioned for a wider range of engineering applications such as walkways, boardwalks, marinas and bridges. Our core product of cross-arms for the electrical distribution industry remains the commercial cornerstone of this division.

By focusing on our production and sales network, we have already seen a return on investment in the 2018 financial year as we expanded our composite products into overseas markets while continuing to secure a stong position in the domestic market.

» The business has now relocated to our new production facility and we are enjoying the efficiencies of our state-of-the-art factory.

» The world's largest composite fibre structure, a wharf at Wagners' Pinkenba cement plant in Brisbane, was designed, manufactured and delivered by the CFT team.

Designs for boardwalk in City of Ocala, Florida

- A number of bridge work projects have been undertaken, primarily short-span road bridges, with six completed and two in progress across the northern New South Wales road network.
- A five year cross-arms supply contract with Western Power was secured.
- A Queensland Government *Made in Queensland* grant was awarded to support market research in the US and UK, training for Wagners employees, and development of technical content for a design guide on use of Wagners' composite sections (which will establish a new benchmark for the industry).
- Wagners designed and supplied the components of the Angel Beach Coastal Recreational Path Project, a six kilometre walkway linking Ballina and Lennox Heads, which received a coveted engineering excellence award from the Institute of Public Works Engineers Australia (IPWEA) – 900 metres of raised boardwalks and viewing platforms, avoiding direct and indirect impacts on sensitive vegetation and preserving cultural heritage.

## Innovation

The CFT division is a prime example of the collaboration and in-house approach that is one of the building blocks of Wagners' success. The specialist pultrusion machines, which produce the composite fibre sections from fibreglass and vinyl ester resin, are designed and built in Wagners' own workshop. We do the testing, validation and code development in-house, and finished composite fibre products – bridge sections, platforms, decks – are also manufactured in Toowoomba. There are currently three pultrusion production lines in operation, with two more currently being manufactured and due to be commissioned between December 2018 and March 2019. One of these machines will be deployed to service the US market.

## Growth: Production and expansion

Looking ahead, the civil projects markets are expected to flourish both domestically and internationally, with a number of significant opportunities identified by the Wagners team via the sales network during the year.

Extending the scope of technology in the business, an application for additional *Made in Queenslan*d government funding has been submitted for a new cross-arm production line to integrate highly advanced robotics into the process.

There is also a focus on development of the 140-strong workforce and the commitment to testing and quality. Trades training for production line employees is a priority project, including partnerships with Registered Training Organisations for Composite Technician traineeships.

## GOING GLOBAL: TAKING WAGNERS COMPOSITE FIBRE TO THE WORLD

Initially designed for harsh Australian conditions, Wagners' composite fibre products are proving attractive in overseas locations with similar weather and temperature extremes. Aggressive pursuit of international business has seen new revenue streams from projects in New Zealand, the UK and the USA throughout 2018.

The recent US expansion has evolved significantly from Wagners CFT humble beginnings 13 years ago. We delivered composite fibre bridge projects around the United States (three in New York, one in Pennsylvania and one in Puerto Rico) which have all stood the test of time and are now outstanding product showcases. For example, the composite fibre bridge near Buffalo NY has required no maintenance to date, despite extreme snowfall and annual freezing temperatures. There are around 365,000 structurally damaged bridges in the US, giving a graphic indication of the potential size of the opportunity for CFT.

### Current international projects include:

**USA**

- New trading subsidiary established and operating.
- A major contract with the City of Ocala in Florida for boardwalk construction in a revitalised wetlands area to be completed in early 2019.
- The US team has attended 12 trade shows and made thousands of contacts, creating a significant pipeline of potential future projects.
- Research as to the best location for a dedicated production line is under way to allow possible commissioning in 2019.

**New Zealand**

- A contract for cross-arms with Unison Energy in Hastings is in place.
- Two major civil infrastructure projects using Wagners' composite fibre products – a boardwalk at the Royal Auckland Golf Club, and the Tauranga Wharf.

**UK**

- Cross-arms have been supplied to four different electricity distribution networks on a trial basis, and one bridge project is under way.

## INNOVATING AT PORT KEMBLA

A partnership with the University of New South Wales (UNSW), a leader in geopolymer research, saw 15 full-scale EFC® Hanbar units provided for a foreshore protection pilot project at Port Kembla in 2018. The aim was to be able to commercially utilise the waste slag aggregate left over from steel-making production. Due to its inherent chemistry, slag aggregate cannot be used with ordinary Portland cement binders. UNSW has established through laboratory-scale research that geopolymer binder chemistry will successfully overcome the calcium-leaching characteristics of slag aggregate to produce a durable concrete. UNSW used Wagners' proprietary EFC® binder system coupled with slag waste aggregate, to make the full-scale Hanbar units, further showcasing the material's environmental credentials and durability in harsh conditions.

## Earth Friendly Concrete (EFC®)

EFC® is a new class of concrete based on a commercial geopolymer technology, developed by Wagners in response to a growing demand for building materials with reduced carbon emissions. Produced at existing concrete plants with a special Admixture Dispensing Unit (ADU) – designed and developed in-house – it uses a geopolymer binder system made from chemical activation of industrial waste by-products, and can be a precast or pre-mix product. As an innovative and disruptive technology, its major benefits are:

» Reduced carbon emissions, with the geopolymer binder having greater than 80 per cent reduction compared to Portland cement[1]

» Greatly improved structural performance and durability compared with conventional concrete, including –
  - higher flexural/tensile strength
  - reduced drying shrinkage
  - increased resistance to sulphate and acid attack
  - increased fire resistance.

EFC's use on several major projects this year is increasing its reputation and gives us some excellent examples to demonstrate EFC's advantages to potential customers, as evidenced by the contribution of 192 precast EFC® deck panels from the Wacol precast facility to the new wharf at Wagners' Pinkenba cement plant. The Wagner family's Wellcamp Airport project also featured EFC® in its construction.


*Pouring EFC*

### Innovation

In keeping with our research and development capability and in-house operational expertise, all mechanical modifications to bring the Wacol batch plant up to EFC® production capability this year were planned and conducted by Wagners' own EFC® team.

Adding to a growing list of industry and government awards, a $250,000 *Ignite Ideas* grant from the Queensland Government's *Advance Queensland* scheme was secured in October 2017.

### Growth: Global opportunities

As with CFT, there are substantial opportunities identified internationally for Wagners' EFC®.

In Germany, EFC's natural resistance to sewer-acid attack and its low-carbon intensity are major attractions for a construction industry hungry for environmentally friendly and durable products. We are currently progressing final international certification testing, which is being assessed by Germany's DIBt organisation. This certification will then allow us to progress the opportunities and relationships we have been preparing, including for large-scale infrastructure projects such as wind farms, tunnels and sewers, and see us in a position to take advantage of expected changes to building and concrete standards in the rest of Europe.

We are tendering for two active projects in Singapore and New Zealand, both requiring acid-resistant concrete, with Wagners' EFC® specified as one of two preferred technologies for the New Zealand project. As Wagners' network of pre-mix concrete plants in Australia expands, our EFC® supply capability here will support penetration into the domestic market.

1 Management estimate

CASE STUDY:

# HIGH-TECH WORLD-FIRSTS AT NEW WHARF

Wagners' drive for innovation, combined with planning foresight and a huge team effort, have seen the successful completion of a unique and strategically valuable wharf adjacent to our Pinkenba cement plant on the Brisbane River.

In a world-first heavy-duty application of Wagners' New Generation Building Materials, the aim was to reinvent the design of wharf structures by using CFT and EFC® materials in the decking systems' construction. The end result is a 100 per cent non-corrosive, non-ferrous modular deck that can be exposed to all required loads, while providing long-term durability and low levels of maintenance.

The wharf, completed this financial year, will see traffic of around 16 ships per year delivering raw material imports direct to our plant. This direct delivery brings significant efficiencies and cost savings through:

» fewer truck movements per ship
» shorter haul from wharf to storage shed
» reduction of cement demurrage costs.

It also opens up seamless export options for Wagners' products in the future. The next stage of development will see automated offloading from ships via conveyors to the storage shed and proposed clinker storage area, which will increase efficiencies even further.

Design and construction involved a number of 'firsts' for the Wagners team, and have left a legacy of industry-leading knowledge and experience across the business. This includes preparation of a full Maritime Security Plan, developed with the Department of Home Affairs' Office of Transport Security, covering all security risks, gate operations, security arrangements, and a terrorism safety plan. We also believe this is the largest composite fibre job completed to date anywhere in the world, with the highest capacity (40,000 tonne ships), and the largest use of structure fibreglass re-bar in Australia ever in a single job.

Many long hours and extra effort were contributed to meet deadlines over the project's life. The teams involved can be extremely proud of the end result, which is now a showpiece case study for Wagners' products and capabilities.

## Environmental impact and safety

Wagners' priority focus on safety and environment meant the risks and challenges of working in a marine environment were carefully managed. There were no spills into the Brisbane River during construction, and zero Lost Time Injuries (LTIs) throughout the project.

The use of Wagners' New Generation Building Materials not only underpins the wharf's performance and durability, but also significantly reduces the amount of embodied carbon emissions from construction and future life. Stormwater and wastewater pollution issues are apparent on many wharf facilities around the State, so by incorporating water-sensitive design into the Pinkenba facility, the fall-through of materials into adjacent waters is avoided. Stormwater and other contaminants are retained and returned to shore for treatment.

Combined with other measures such as cutting back truck movements by almost 2 million accumulated kilometres travelled (from using the Wagners' wharf rather than Port of Brisbane Common User Wharf), supply-chain operation, maintenance and disposal, an enormous figure approximating 68,333 $CO^2$eq reduction in tonnes over the wharf's 40-year design life is achieved.

## Vital statistics

Initial design: 2008

Redesign and certifications: 2016

Project completion: 2018

Total EFC®: 1,600$m^3$

Total CFT: 573 U-Girders, 150 tonnes (350km) FRP reinforcing, 1,500m service droppers (upcycled and new cross-arms), 500 FRP fascia panels

Workforce hours: 40,000 construction team + 27,000 Precast + 28,000 CFT + 92,000 Workshop + 1,160 Transport + many administration areas supporting the project

# CONSTRUCTION MATERIALS AND SERVICES (CMS)

## MANUFACTURING AND SELLING CEMENT, CONCRETE, FLYASH, PRECAST CONCRETE PRODUCTS, REINFORCING STEEL AND AGGREGATES, WAGNERS' CMS TEAMS ALSO PROVIDE MOBILE AND ON-SITE CONCRETE BATCHING, AND CRUSHING AND HAULAGE SERVICES. WE OPERATE A DEDICATED MAINTENANCE AND FABRICATION WORKSHOP SERVING THE COMPANY'S NEEDS.

Our teams work both at Wagners' facilities and in remote locations in Australia and offshore for large infrastructure, mining and construction projects. Our Guiding Principle of 'work in a safe environment' is adopted wherever we work – even in the harshest conditions – and we are proud of the commitment to safety, quality and environment our teams make every day.

From a strategic perspective, the increasing vertical integration of Wagners' product supply chain network, marketing, project planning and management is a critical focus. As our growth plans are achieved, our ability to collaborate and realise pull-through benefits across all parts of the business increases. This means we also have greater flexibility and options to provide positive, comprehensive, cost-effective solutions to our customers.

2 Management estimate

## Pre-mix concrete

Wagners supply project-based pre-mix concrete through our fleet of mobile and on-site batching plants – often in remote locations – and is expanding market opportunities in south-east Queensland through re-establishment of a network of fixed pre-mix concrete plants. Toowoomba and Wacol locations are up and running, work is under way on a plant at our Pinkenba facility, and a further four future sites have been secured. The primary strategic driver is greater vertical integration, providing security of supply for the concrete business, consistent pull-through demand for Wagners' cement and flyash products, and opportunities for aggregates, precast, reinforcing steel and transport. To service the expanding concrete plant network, our agitator fleet will be supplemented with the use of lorry owner-drivers.

On the strength of our experience gained through our first wind farm project – the Sapphire Wind Farm in northern New South Wales, completed this year – we were awarded a major concrete supply contract for the Coopers Gap Wind Farm near Kingaroy, due to be completed in FY19. The scale of the Sapphire project was huge – we provided large-volume concrete pours for the 75 towers, equivalent to the pour for about 20 houses per tower[2] – and Coopers Gap will have over 100 towers. Apart from the volume of concrete required, Coopers Gap is also the first concrete project undertaken in recent years that is close enough to our base at Wellcamp to enable pull-through benefits to other parts of the business such as aggregates and transport, in addition to cement and flyash. The completion of our part in the Ichthys LNG project in Darwin this year was also a major milestone for the team, representing Wagners' largest site batching-plant contract to date.

Part of our strategy is to secure more work for the project concrete business. We are focusing on local, national and international opportunities through our existing customer base and beyond, which will also bring direct and indirect employment growth. We are continuing to investigate and implement modern and more efficient batching and delivery systems.

## Cement

With a track-record of continuous growth and an industry-leading commitment to quality, Wagners' cement business is a key contributor to the company's financial success and to our strong reputation for meeting our customers' needs.

Producing five core products at our cement production facility at Pinkenba on the Brisbane River, the operation delivers to customers around Australia, predominantly in the building materials, general contracting, mining and construction industries. During 2018, we have also been part of several major projects Wagners is servicing, including providing cement for the precast elements of the Toowoomba Second Range Crossing and Coopers Gap Wind Farm project.

Our philosophy, in line with Wagners' Guiding Principles, is to look after our people, our customers and the community, while always striving for greater innovation. Quality is also a critical part of our reputation and our performance.

The extended period of year-on-year growth has all been achieved while maintaining our key performance requirements of not sending out a single load of cement that is outside of specifications. Our state-of-the-art testing laboratory recently passed the National Association of Testing Agencies (NATA) re-accreditation with flying colours, a well-deserved endorsement of our investment in the skills, equipment and processes which ensure our products are of the highest standard.


*Precast girders, Wacol*

*Alexandra Maclennan checking quality in our nationally accredited cement testing laboratory.*

We work hard to meet our customers' expectations, and our ability to respond quickly to customer requests and deliver to places other firms may consider to be in the 'too hard basket' is a key advantage. This year, we were able to quickly provide special blended products to remote locations in Weipa and the north-west of Western Australia within short timeframes. This effort – often also involving the Wagners' transport team – pays off in word-of-mouth referrals.

The vertical roller mill at Pinkenba continues to be a competitive advantage for Wagners. The design allows more direct conversion of energy into grinding power and results in improved electricity consumption. As an energy-intensive operation, managing electricity costs can be challenging, however we have recently locked in a three-year contract delivering significant savings and certainty of costs.

Looking to the future, we have a number of key challenges addressed in our planning and our strategy.

With the volatile import clinker market, price, supply and lead-time are always on our watchlist. We do everything possible to leverage and maintain our long-term relationships on the supply side, and are also monitoring and improving efficiency in the shipping scheduling. The new wharf at Pinkenba, offering direct access to the plant, has removed a large amount of our demurrage risk and gives us much greater control of logistics and inventory planning.

A new clinker store planned for the Pinkenba site will mean more efficient ship unloading and feed-in to the mill. We are also excited about the prospects presented by Wagners' pre-mix concrete expansion strategy over the next few years which will help to secure cement volumes into the future.

## Transport and bulk haulage

The distinctive Wagners branding on our large transport fleet is well-known across our home state of Queensland. Our team takes great pride in the cleanliness, presentation and safe conduct of the fleet, which is in practice a mobile billboard for the company.

Our prime movers and trailers carry construction materials for customers and service Wagners' upstream and downstream business units, while our project haulage fleet currently have contracts for bulk minerals and materials transport across six projects in Queensland and the Northern Territory. Given the fleet's size and versatility, we can offer delivery-on-demand haulage solutions anywhere on the Australian mainland. We aim to maximise the synergies with other aspects of the Wagners' business, given that mining and infrastructure projects often require additional services and products (for example, crushing and cement).


### CASE STUDY:
# DARWIN ICHTHYS LNG

Wagners' long-term role in the Darwin Ichthys Liquefied Natural Gas (LNG) Project has come to a close this year. The Ichthys LNG terminal is one of the largest LNG export facilities in Australia, processing gas produced from the Browse Basin offshore from Western Australia.

The project's completion is a major milestone for us, producing some impressive supply statistics from various areas of the business. Since 2013, Wagners' role included:

- » producing more than 440,000m$^3$ of concrete (1 million tonnes) as part of our largest site batching-plant contract
- » 2.5 million tonnes of quarry material
- » 2,500 tonnes of reinforcing steel
- » reinstating the site on project completion, including demolition of 5,000m$^3$ of concrete and dismantling batch plants and ice-making facilities.

Our outstanding safety record is one of the huge achievements of the project and a credit to every Wagner employee involved – an exceptional 1,388,000 work hours with zero LTIs were achieved by the quarries, transport and concrete teams.

The majority of project employees were local Northern Territory residents. Wagners was also one of the first sub-contractors on site to reach Aboriginal and Torres Strait Islander engagement performance targets.

Our Transport and Bulk Haulage team took on its first coal haulage contract in three years during 2018, winning the reject haulage contract for the Oaky Creek mine in Central Queensland. We also extended the scope of our work with the George Fisher Mine to include haulage from Lady Loretta Mine to Mt Isa. Requiring up to 13 trucks working 24-hours-a-day, we procured nine new truck-and-trailer assets for the Lady Loretta work, and are making capital investments in our general transport fleet to service Wagners' internal needs.

The future outlook for transport and bulk haulage is strong with continued growth predicted and strong enquiry from the coal and minerals sector. Upgrades of our internal fleet operations, including investment in our first Performance-Based Standards (PBS) roadtrain for haulage of products from our Pinkenba facility, will result in vertical integration benefits across Wagners.

## Quarries

With operating rights for two quarries – Amby near Roma and Wellcamp, Toowoomba – and another at Gunalda near Gympie approved and ready for development, Wagners' quarries have made a renewed push into the Queensland construction materials and infrastructure market.

Our quarries supply concrete aggregates, crusher dust, sealing aggregates, pavement material, asphalt aggregates, construction fills, road base, railway ballast and other fine crushed-rock to pre-mix concrete plants, builders, road builders and regional councils. Aggregate materials also feed into Wagners' own concrete and project operations.

This year, the high-profile Toowoomba Second Range Crossing project was a major commitment for the Wellcamp quarry. We supplied pavement materials to the Central and West sections of the project, and this is ongoing into the first half of FY18/19. Wagners' precast concrete is also being used in the project, supplying bridge girders, deck units and parapets. The Second Range Crossing's technical requirements are challenging, with high specifications for the road base and high supply demand.

We also finished the Rolleston Mine contract, which had been running since December 2016. This contract for on-site crushing of roadbase, stemming and rock products was a great example of extension of original scope, with over 150 per cent of the initial volume of materials being produced, and also underlined the strength of our relationship with our client.

In line with our strategic focus on growth of our quarries business, two new sites have positioned us extremely well to service their respective regions. The first is a greenfield site in Queensland's south-east corner, for which the approvals process is now under way. The second, the Castlereagh Quarry outside Cloncurry, is already operational with existing key contracts, and is ideally located to service customers in the state's north-west. A quarry base in Cloncurry also complements Wagners' transport operations in the area, providing seamless supply and transport solutions for customers.

Future priorities include completion of the approvals process for the new south-east Queensland quarry site to allow plant works and site construction to proceed, and upgrading the crushing plant at Wellcamp to improve production capability. Securing more project crushing work is also in planning.

*Wellcamp Quarry*

## GROWTH: HOME-GROWN TALENT AT WAGNERS

Attracting and retaining suitably qualified trades personnel is one of the biggest challenges facing companies in our sector. In line with Wagners' aspiration to be an employer of choice, and with our Guiding Principles, CMS strives to offer a great culture and rewarding career pathways to the team.

Our continuing focus on apprentice training and graduate opportunities is paying dividends. In 2018, Wagners offered 13 apprenticeships and traineeships across mechanical, engineering and electrical trades, production and laboratory operations and business administration. Among our new entrants, we welcomed three female apprentices and trainees. We have designed a graduate engineering program that is expected to provide a broader experience across a diverse range of areas.

As one of the most demanding areas of the business, CMS is considered a great management training ground. A number of Wagners' senior management team made their first steps in the business in the workshop (including our CEO Cameron Coleman), gaining invaluable hands-on experience at the frontline.

## Precast concrete products

Because most precast concrete products contain reinforcing steel, these two areas of Wagners' business are highly integrated and collaborative. Our precast concrete and prestressed concrete products such as bridge girders, deck units and parapets are manufactured at our Wacol facility, which also has one of the only high-volume tunnel segment production lines in Queensland. These production capabilities position us well to be involved in the major tunnel projects slated as part of State's key infrastructure investment in coming years.

In 2018, the precast business had one of its busiest years, producing girders, bridge girders and parapets for the Toowoomba Second Range Crossing project. A large track slab project – the precast slabs on which railway lines are laid – was also secured. All the deck elements for the new wharf at Wagners' Pinkenba cement plant were supplied by the precast business.

In the coming 12 months, business development for our traditional precast product lines – prestressed decks and girders, and bridge parapets – will yield significant results. Continuing focus on improving operational efficiency through robust real-time monitoring of production performance will highlight where and how we can do better. With innovation and future markets in mind, we will work on new base product lines to provide consistent volume and reduce the impact of the cyclical nature of major projects.

## Reinforcing steel

Wagners manufactures and supplies the full range of reinforcing steel products for use in everything from residential construction to large-scale mining and infrastructure projects, based in our dedicated facility in Toowoomba.

During a successful 2018, the requirements of infrastructure project work were significant, and we also experienced strong demand from the more traditional markets of residential and commercial construction.

As the reinforcing steel business shares many customers with Wagners' concrete and quarry operations, cross-selling opportunities are regularly on offer, and we aim to continue to grow sales volume in our traditional markets.

Our goal is also to support the precast team to secure major project work, and grow our business alongside the expansion of the concrete business where we may be able to market our reinforcing steel products through concrete plant locations.

## Maintenance and fabrication services – Toowoomba Workshop

From fixing a humble whipper-snipper to building world-leading wharves, the skilled Wagners' workshop team has it covered. Servicing the daily mechanical needs of our transport and crushing fleets, the workshop team also works closely with other divisions to develop and build new production equipment for Wagners' products.

The benefits of running this kind of specialist facility in-house include ensuring high quality and safety standards across all maintenance work, nurturing home-grown expertise and experience among the team, protecting intellectual property, and having the ability to deliver to urgent deadlines when flexibility is required to meet customer or project needs.

In one of the biggest steel fabrication jobs ever done in Toowoomba, the Wagners workshop fabricated all the steel work for the new wharf at the Pinkenba cement plant on the Brisbane River during the year. The team has also been busy building the majority of the equipment used in the CFT business, with CFT leading the design, and the workshop team managing construction.

*Precast girders, Wacol*

# SAFETY, QUALITY AND ENVIRONMENT

Wagners is committed to providing a healthy, safe and sustainable workplace, while delivering high quality, effective products and services to our customers. We conduct our business and operations with integrity, work together to overcome challenges, and encourage and acknowledge success in a safe and family-conscious environment.

Working together safely to ensure no harm to people, no accidents, and no damage to assets or equipment is our number one value. While organisational priorities change, our constant commitment to safety does not.

This commitment extends to causing no environmental impact, to reducing waste and consumption of energy resources and recycling wherever possible. We strive to produce quality products and deliver exceptional service – first time, every time.

Our Safety, Environment and Quality Policy (SEQ) formalises our commitments, and performance is measured and certified annually by SAI Global against Australian and International standards: AS/NZS4801 and OHSAS18001 (transitioning this year to ISO45001), ISO14001 and ISO9001.

Despite a diverse and geographically dispersed operation, our management team remains up to date with a substantial range of industry standards and regulations. These cover Australian and international legislation and regulatory frameworks, including national heavy vehicle regulations, coal mining, hard rock mining and quarries, electrical, environmental, workplace health and safety, and other employment laws. Wagners has invested in world-class technology systems to support the required standards and compliance reporting.

## Safety

Wagners has implemented the SERA online data management system as the platform for our integrated SEQ management. Using an electronic portal for reporting hazards and incidents, SERA provides the structure and methods for managing Wagners' business risks.

Continuous proactive identification of operational hazards has resulted in risk mitigation being embedded in processes throughout the organisation. SERA is accessible to every employee, at all levels of the company, overseen with a solid commitment from the management team. It is not just a tool for safety professionals, but a channel for everyone to manage their SEQ requirements – easy accessibility means all employees are now active stakeholders in effective safety management. The ability to document issues in SERA has led to a genuine commitment to remediation and prevention activities. This is deeply embedding Wagners' safety culture among all employees and delivering an outstanding improvement in safety performance.

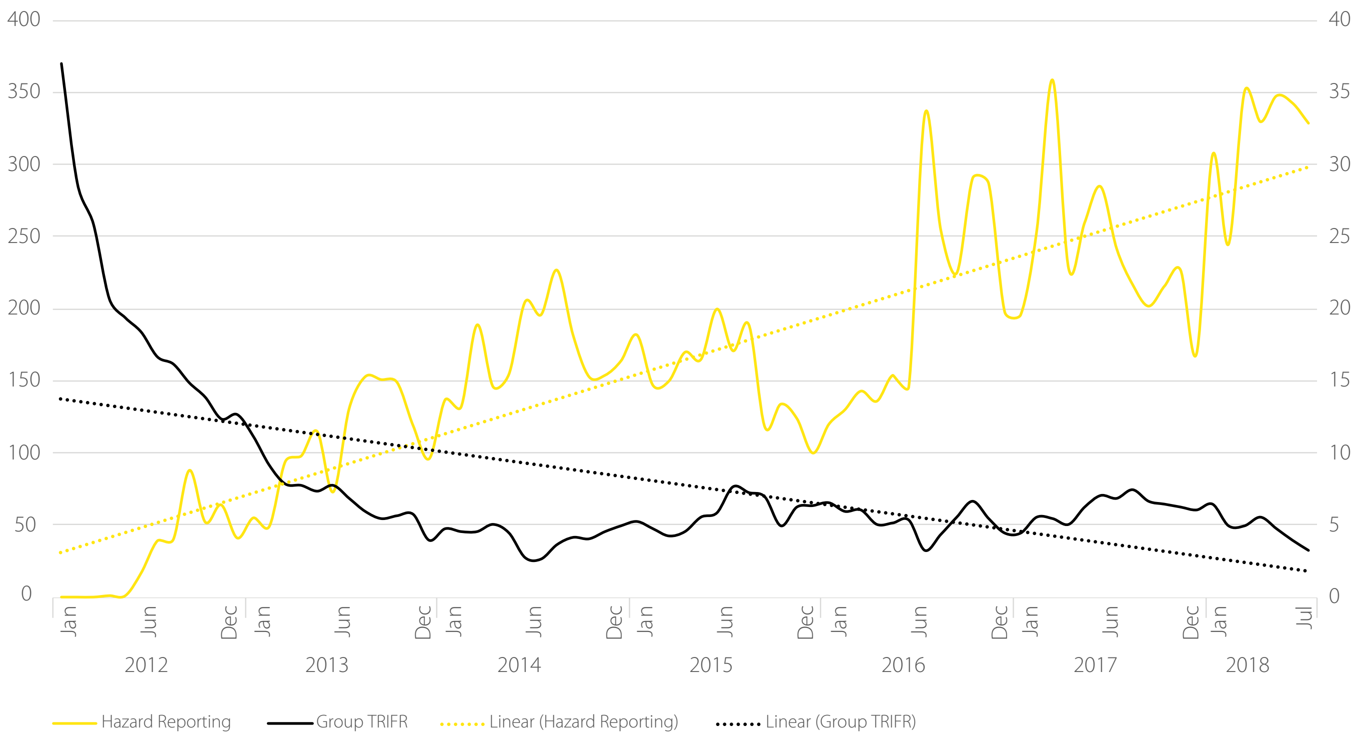
## Quality and compliance

Wagners recognises that an effective quality management system is critical in achieving the right organisational outcomes. Ours provides a framework for continuous review and improvement. Good quality assurance is essential to the continuing success of Wagners business – poor-quality practices can affect health, safety, stability, product life-span and customer satisfaction.

Our dedicated Quality Control team is responsible for product quality through continuous checks against standards and specifications. Our Quality Assurance team maintains system compliance with ISO9001, and our Quality Management System has been designed to meet all relevant standards and codes of practice.

**Reduction in TRIFR over five years**

Increased hazard reporting has driven Total Recordable Injury Frequency Rate (TRIFR) down.



## SAFETY CONVERSATIONS LEAD THE WAY

Our value Working Together Safely is supported through our safety conversations initiative. Wagners' managers and supervisors hold 10 safety and environmentally focused conversations across their teams each month, demonstrating visible, engaged leadership with personal interest in each team member.

The success of this innovative program and related safety innovations is supported by data captured through our KPI reporting, showing a direct correlation between good employee engagement and lower injury rates.

Outstanding results such as completion of 1 million work hours injury-free on the Darwin Ichthys LNG project, and the historic building of Toowoomba Wellcamp Airport with no injuries, are testament to Wagners' excellent safety culture.

SERA provides the quality reporting capability with *Work Improvement Notices* (WINS) and *Opportunities for Improvement* reported online or through a mobile app by employees. Audits and inspections are managed through SERA, and an iPad app synched to SERA captures regular conformance data. All non-conformances and findings are managed to ensure root causes are addressed through corrective or preventative action. Greentree, our document management system, provides employees with easy access to controlled documents such as forms, work instructions, standard operating procedures, manuals and standards.

Wagners' employees are always encouraged to look for opportunities to improve the way things are done, driving continuous improvement and innovation, including through an employee suggestion scheme which makes sure great ideas are embraced.

## Environment

During 2018, environmental management has been elevated to the same intense commitment seen in our safety management system. An Environment Manager was appointed to oversee the management system, and our Safety Team has undergone additional environmental management training to build enhanced capacity.

Quarries, concrete and cement manufacture are all industries requiring diligent attention to environmental matters. Wagners operates strictly within environmental permits and is committed to causing zero harm to the environment.

An excellent example is waste-water management on our concrete projects. Because these projects are often located in highly sensitive areas, Wagners retains all waste water on site in purpose-built retention ponds. After water treatment and testing, waste water is recycled for use in areas such as dust suppression on stockpiles and roadways.

Significant air quality improvements were gained this year through an upgrade program to the dust extraction capacity of Tower 542 at the Pinkenba cement plant. Additionally, three new dust monitoring stations will continually monitor and report dust emissions around the plant.

Wagners' environmental leadership is showcased in the construction of the cement plant's new wharf. See *Case Study: High-tech world-firsts at new wharf* on page 19.

We conduct our business and operations with integrity, work together to overcome challenges, and encourage and acknowledge success, in a safe and family-conscious environment.

# OUR PEOPLE

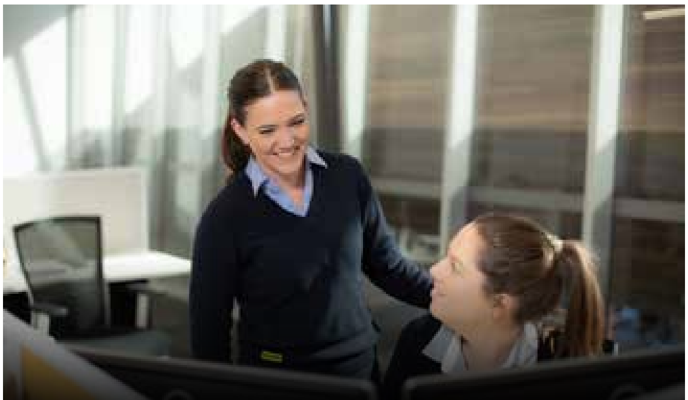
Wagners is extremely proud and appreciative of the contribution our employees make to the success and growth of the business. We aspire to become an employer of choice in our sector, with a program of initiatives to meet this challenge.

Wagners' team of over 520 employees and contractors has a reputation for working hard, with a focus on safety. Employees across the business are not afraid to stretch their scope of work to help others. This flexibility often leads to opportunities to work on new projects or get involved in other areas of the business. With an entrepreneurial and innovative spirit hard-wired in our culture and our Guiding Principles, our organisation is built on 'having a go'. We aim to continue to foster that spirit, recognising commitment and dedication.

A family focus is a special part of our heritage. This is reflected in our community and employee engagement. Our employee onboarding and recognition programs are key facets of our approach. Every month, new starters – a total of 337 in FY18 – are welcomed at a social function hosted by Board members, in addition to their general induction and job-specific training. In a relaxed and informal atmosphere, they meet the management team and are given an overview of the business and the key activities under way.

The challenges of attracting and retaining suitably qualified employees can be significant in our sector and our region. Wagners does experience high turnover in some areas – partly due to the project nature of much of our work, where we have to scale-up and scale-down quickly for efficiency and cost-effectiveness.

Demand for workforce agility and responsiveness will only increase as our strategy to secure major infrastructure and project work is successful. The leadership and human resources teams are acutely aware of this as they plan future policy and processes.



*Head Office, Toowoomba*

With an entrepreneurial and innovative spirit hard-wired in our culture and our Guiding Principles, our organisation is built on 'having a go'.

## Employee engagement survey

With longer-term improvements in engagement and retention of staff a priority, the feedback from employees in our recent engagement survey is the subject of careful examination for input into existing and future human resources strategic planning and activities.

The survey received a 62 per cent response rate (330 people across Australia), with 90.78 per cent looking forward to ongoing employment. Consistent themes across the business were good ratings for work satisfaction, feeling valued, approachability of leaders, and feeling free to speak up.

Demonstrating the increasing diversity of our workforce, the survey also told us that 10 languages other than English are spoken at home – Spanish, Arabic, Hindi, Dinka, Nepali, Afrikaans, German, Sudanese, Russian and Italian. Nearly seven per cent of our employees are of Aboriginal or Torres Strait Islander descent, and 13 per cent of employees are female. These statistics give us a benchmark for future evaluation and are a key input to our strategic planning and program development.

## OUR FIVE-YEAR, TEN-YEAR AND TWENTY-YEAR CLUB

At the five-year mark we celebrate with dinner and a gift, while those celebrating 10 and 20 years of service are inducted into their respective 'clubs' at a dinner hosted by one of the Directors at their home, with partners and family also important guests.

On 8 December 2017, many of our long-term team members and their partners travelled to Sydney to help the founders celebrate the memorable listing ceremony and formal luncheon afterwards.

This tradition of reward, recognition and celebration of achievement will continue as Wagners grows.

*Congratulations to 2018 Wagners Risdon Cup winners, the Goondiwindi Emus.*

## WELLBEING, TEAM AND COMMUNITY

Wagners publishes a vibrant employee newsletter – *Yellow Injector* – each quarter. Even a quick flick through its pages shows the wide range of internal and community events, people news and recognition across the company, as well as initiatives under Wagners' Health and Wellbeing program. The variety of activity is impressive, and is a credit to Wagners' people who are willing to get involved and make a positive contribution both to their workplace and communities.

This year, employees (and many family members and friends) joined various fundraising fun runs, including the *Peak2Park* in Toowoomba, the *Hike for Homeless*, and *Bridge to Brisbane*. Some dedicated triathletes had been training hard to be part of the Wagners' team in the *Gold Coast Corporate Triathlon*, but the event took a safety-conscious decision to cancel due to bad weather – our team is aiming to line up again next year.

We celebrated International Women's Day at events in Brisbane and Toowoomba, continued the tradition of the Wagners One Day International cricket match on Australia Day, hosted at Chairman Denis Wagner's home, and organised a number of functions and social events through our Social Club. Employees can also apply for sponsorship for family members who are vying for sporting success on a state, national or international stage.

Wagners also sponsors and supports a range of local and regional charities and fundraising and community events.

## Innovation

The Human Resources team has a critically important remit, managing all people-related systems including payroll, employee relations, industrial relations over eight enterprise agreements, recruitment in Australia and overseas, training and compliance, leadership development, health and wellbeing, employee engagement, internal communication, and rehabilitation/return-to-work programs.

As an Equal Opportunity Employer, we provide a full Employee Assistance Program with a successful Buddy Program that matches up new starters with a friendly face to guide them through getting started at Wagners.

Our people and culture are fundamental to our ability to deliver our strategic plans. It is our people – always looking for ways to innovate, to do things better or differently – who achieve great results.

During the financial year, significant progress and investment were made on a range of initiatives including:

- **A new Wagners induction program**, including an innovative video starring current employees.
- **'Time Target' new payroll and time attendance system** – bringing time-clocking, rostering and real-time workforce data online, phasing out paper-based leave applications with online employee self-service via kiosks or mobile, and improving payroll efficiency.
- **Graduate engineers program** – we are in the process of formalising an existing program, including interviewing current graduates to understand career aspirations and tapping into initiatives such as Women in Engineering to increase gender diversity in our future leaders.
- **Women's uniform redesign** – a welcome revamp of our women's uniform to ensure our female team members feel pride in their role.
- **Career development coaching for leaders** – supporting our leaders to develop stronger skills in conducting performance reviews and career discussions.
- ***Challenge of Leadership* program** – in place since 2002 in partnership with Leadership Management Australia, with two graduates this year.
- ***MindFit* seminars** – run by Lifeline, four seminars focusing on mental health were well-attended across the business.

# GOVERNANCE

The Board is responsible for the overall corporate governance of Wagners, monitoring financial position and corporate performance, and overseeing business strategy, with a commitment to protecting and optimising performance and building value.

A Board Charter and governance principles provide the framework for the Board's conduct. Appropriate internal controls, risk management processes, and corporate governance policies and practices are designed to promote the responsible management and conduct of Wagners. The Board currently has a number of committees, including:

» Audit and Risk Management Committee
» Remuneration Committee
» Nomination Committee.

Wagners has also established a Risk Management subcommittee. The primary objective of the committee is to review and make recommendations to the board in relation to the risk management policies and processes of Wagners.

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/.

# BOARD FOCUS AREAS: ADVANCING STRATEGY AND VALUE

The Board recognises that strategy, good governance and risk management are what drives performance and value creation in our business.

During the year, in addition to responsibilities set out in the charter documents, the Board and its committees reviewed and discussed the following matters specifically focused on future value and delivery of strategy.

| VALUE CREATION | MATERIAL ISSUE | BOARD DELIBERATION/ACTION |
|---|---|---|
| **Growth** | Revenue growth:<br>» Acquisition of businesses to provide revenue growth<br>» Entry into international markets – US strategy<br>» Concrete strategy – renewed push into construction materials business | A number of acquisition opportunities were investigated and considered.<br>Board considered and approved the concrete strategy and entry into international markets for CFT. |
| **Innovation** | Significant investment into research and development – CFT and EFC® products | Board approval was given to the continued investment into research and development in the NGBM business. |
| **Safety, quality, environment** | Ability to operate safely across our operations and projects | Board engagement in safety, quality and environment sessions:<br>» two hours prior to each Board meeting is spent working with employees to hear about progress in key safety, quality and environment activities/systems/culture. |
| **People** | Positive employment culture and turnover | Welcome function for new employees held after every Board meeting. Board members attend to welcome new starters, discuss Wagners' business/culture. |

# RISK MANAGEMENT

The Wagners business is subject to specific and general risk factors, which might affect the future operating performance of the organisation, and the value of an investment in Wagners. Through the company's governance structure of Board members, Risk Management committee and senior management, risks are assessed, categorised and monitored as part of a regular strategic and operational planning cycle. Appropriate mitigation responses are actioned as needed, including through ongoing investment in systems and training, and implementation of new processes as required.

| RISK | DETAIL OF POTENTIAL RISK | MITIGATION |
|---|---|---|
| **Decreases in capital investment and construction activity in the Australian infrastructure sector** | » Reduced demand for Wagners' products and services resulting from reduction in or delays in current levels of capital investments and construction activity in the Australian and international infrastructure sector, may materially and adversely affect Wagners' revenue, profitability and growth. | » Multi-disciplinary exposure to a broad range of revenue sectors — residential, commercial, infrastructure, resources, oil and gas, renewable energy, defence. |
| **Manufacturing and product quality** | » Failure to continuously comply with applicable regulatory requirements or to take satisfactory action in response to an adverse inspection could result in enforcement actions, such as shutdowns of, or restrictions on, manufacturing operations, delay in the approval of products, refusal to permit the import or export of products, or other enforcement actions. | » Recruitment of qualified personnel<br>» Investment in NATA-accredited laboratory and highly skilled laboratory team<br>» Safety, Environment and QA system embedded<br>» Internal auditors conduct scheduled compliance checks<br>» Insurance coverage. |
| **Workplace health and safety** | » Workplace accidents and incidents resulting in employee injury may result in penalties under relevant work health and safety legislation, and harm reputation and financial performance. | » SEQ compliance system<br>» Ongoing safety training and communication. |
| **Supplier contracts** | » Disruption in local and international supply contracts (electricity, shipping, raw materials) could cause product delays and potential loss of profitability. | » Long-term contracts secured<br>» Strong relationships with suppliers<br>» Multiple supply sources from various geographical locations. |
| **Operational** | » Failure to sell products or meet production demand<br>» Unanticipated manufacturing problems, plant breakdowns or mechanical failures<br>» Cost and availablility of raw material<br>» Adverse weather conditions.<br><br>All of the above may have an adverse affect on Wagners' profitability and ability to service customers. | » Commitment to implementation of business strategy<br>» Multiple product lines, agility to enter into new markets/products<br>» Maintain surplus capacity beyond contractual obligations<br>» Back-up plant and machinery to deal with breakdowns, with regular repairs and maintenance programs<br>» Securing long-term fixed-price supply contracts<br>» Enterprise Agreements with employees<br>» Force Majeure clauses in contracts. |
| **Environmental claims** | » Environmental issues may potentially delay contract performance or result in a shutdown of a project, causing a deferral or preventing receipt of anticipated revenues<br>» Environmental risks may give rise to remediation obligations, civil claims and criminal penalties<br>» Any potential liability or penalty could result in a significant financial loss. | » Strong focus on and commitment to the environment<br>» SEQ compliance<br>» Environment Manager with specialist skills<br>» Internal audits ensure each site complies with authorities to operate; external audits<br>» Strong reporting culture – potential environmental hazards reported monthly. |
| **People, training and skills** | » Ability to attract and retain qualified key personnel, including key members of Wagners' senior management team, and maintain a motivated, engaged workforce. | » Continued investment in the recruitment, training and development of our people to attract, retain and grow the best people.<br>» Industry-based training is provided through internal and external programs for all personnel. |
| **Remote locations** | » Difficulties of remote area operations for plant, equipment and materials and related inherent risk to personnel. | » Demonstrated ability to mobilise quickly and efficiently – large mobile operations successfully completed globally<br>» Proven track-record of safe operation in harsh/remote locations. |

| RISK | DETAIL OF POTENTIAL RISK | MITIGATION |
|---|---|---|
| **Competition** | » Intense competition in Australia and internationally means other companies may be pursuing or have existing products/services that target the same markets as Wagners. | » Strong business model and growth underpinned by continued investment in research and development across new/ existing divisions<br>» Diverse range of products and services to limit exposure in extremely competitive markets. |
| **Relationships with related parties may deteriorate** | » Wagners has various related party arrangements with WGH (leases, licences, wharf services agreement).<br>» If Wagners' relationship with Wagner Corporation changes, so that Wagner Corporation is no longer supportive of Wagners, this may have an adverse effect on Wagners including having a materially adverse effect on Wagners' ability to carry out its activities, resulting in sales revenue reduction a material adverse effect on Wagners' future financial performance and position. | » Secure long-term leases of sites on market terms. |
| **Debt covenants may be breached if performance declines** | » Factors such as a decline in Wagners' operational and financial performance could lead to a breach of its banking covenants.<br>» If a breach occurs, Wagners' financiers may seek to exercise enforcement rights under the debt facilities, including requiring immediate repayment, which may have a materially adverse effect of Wagners' future financial performance and position. | » Compliance system ensures covenants are maintained, with auditing/reporting to the Board monthly<br>» Work well within Board-approved operational/capital budgets to ensure covenants are not breached. |
| **Growth** | » There is a risk that the Company may be unable to manage its future growth successfully, and no guarantee Wagners can maintain or grow project volume or pipeline – including potential negative impacts from factors beyond Wagners' control (e.g. decline in industry growth, lack of/ slow market acceptance of NGBM products, lack of available sites to establish ready-mix concrete plants, inability to obtain requisite approvals for quarry operations). | » Multiple revenue streams through a broad range of industry sectors. |
| **Reliance on third parties** | » Problems caused by third parties may affect Wagners' financial performance and prospects.<br>» No guarantee that current operations will be carried out or managed in accordance with its preferred direction or strategy, subject to inability to control the actions of third parties. | » Due diligence/appropriate contractual documentation setting out key responsibilities/expectations for subcontractors. |

Wagners' senior management and those charged with governance regularly assess material matters. A matter is considered material if they believe it could significantly impact the value created and delivered in the short, medium and long term. Wagners manages material matters through:

» Capturing feedback through engagement and research during the financial year from key external stakeholders including investors, analysts and other relevant groups

» Engagement with the Board

» Ensuring the business strategy and trends influencing strategic direction are aligned with and relevant to the information collected above.

The outcome of the above processes are the material risks noted in the above table.

*CFT Manufacturing Facility*

*Fused glass bead from the cement testing lab*

CFT boardwalk application, Coogee Beach

# BOARD OF DIRECTORS

## DENIS WAGNER

**Non-Executive Chairman**

- Co-founder of Wagners – involved in the business since its inception
- Instrumental in developing Wagners into one of the leading construction materials producers in south-east Queensland
- Over 30 years experience in the construction materials industry
- Fellow of the Australian Institute of Company Directors

## JOHN WAGNER

**Non-Executive Director**

- Co-founder of Wagners – involved in the business since its inception
- Instrumental in developing Wagners into one of the leading construction materials producers in south-east Queensland
- Over 30 years experience in the construction materials industry
- Inaugural Chair of Darling Downs Tourism
- Inaugural Chair of the Toowoomba and Surat Basin Enterprises

## PETER CROWLEY

**Independent Non-Executive Director**

- Appointed as part of Wagners' Initial Public Offering
- Over 35 years experience in the construction materials and building products industries – Australia, New Zealand, Asia, Europe, North America
- 19 years experience as a public company director, including 13 years as Managing Director of GWA Group
- Other previous public company directorships – Adelaide Brighton, Rugby Group plc, Austrim Nylex Limited
- Currently serves on the BGW Group Advisory Board and as a Non-Executive Director of Wesley Medical Research Limited
- Bachelor of Arts and Bachelor of Economics degrees – University of Queensland
- Fellow of the Australian Institute of Company Directors

## ROSS WALKER

**Independent Non-Executive Director**

- Appointed as part of Wagners' Initial Public Offering
- Significant experience in the building and construction industry
- Specialises in working with small to medium-sized companies
- Currently a Non-Executive Director of RPM Global
- Over 30 years corporate and accounting experience, including a prior role as a partner at Pitcher Partners.
- Bachelor of Commerce – University of Queensland
- Fellow of the Institute of Chartered Accountants in Australia and New Zealand

## LYNDA O'GRADY

**Independent Non-Executive Director**

- Appointed as part of Wagners' Initial Public Offering
- Previous senior roles at Executive/Managing Director level at Telstra, including as Chief of Product
- Prior roles include as Commercial Director of Australian Consolidated Press (the publishing subsidiary of PBL), and General Manager of Alcatel Australia
- Inaugural Chairman of the Aged Care Financing Authority (retired 30 April 2018)
- Non-executive director of Domino's Pizza Enterprises Ltd
- Member of the Advisory Board of Jamieson Coote Bonds, and Council of Southern Cross University
- Previous service on the Council of Bond University, boards of Screen Queensland, National Electronic Health Transition Authority (NEHTA) and TAB Queensland, and on the IT&T Board of Advisors to the New South Wales Treasurer
- Bachelor of Commerce (Hons) degree – University of Queensland
- Fellow of the Australian Institute of Company Directors

## JOE WAGNER

- Appointed alternate director to John Wagner
- Instrumental in developing Wagners into one of the leading construction materials producers in south-east Queensland
- Over 20 years experience in the construction materials industry






1 Denis Wagner
2 John Wagner
3 Peter Crowley
4 Ross Walker
5 Lynda O'Grady

# SENIOR MANAGEMENT TEAM

## CAMERON COLEMAN

**Chief Executive Officer**

- Appointed Chief Executive Officer in July 2012
- Employed by Wagners for 23 years
- Experience across all areas of the business
- Oversees more than 500 employees
- Integral in Wagners' journey, and has created a culture that has enabled Wagners to differentiate itself from its competitors
- Completed the General Management Program at Harvard Business School in 2012

## FERGUS HUME

**Chief Financial Officer**

- Joined Wagners in February 2016 as Chief Financial Officer
- Over 20 years experience in chartered accounting and corporate financial roles
- Previously Financial Controller at Caltex Australia Ltd and Namoi Cotton Co-operative Ltd
- Chartered Accountant
- Bachelor of Commerce – University of Queensland

## KAREN BROWN

**Company Secretary and General Counsel**

- Appointed Company Secretary and General Counsel in November 2017
- Over 16 years experience in private legal practice, most recently as a partner of Carter Newell Lawyers
- Solicitor of the Supreme Court of Queensland
- Bachelor of Laws and Bachelor of Commerce – University of Queensland

## JOHN STARK

**General Manager – Construction Materials and Services**

- Appointed General Manager of Construction Materials and Services in January 2013
- Employed by Wagners for 25 years
- Oversees performance of Wagners' Australian concrete, quarries and mobile crushing and transport businesses
- Over 25 years experience in management roles at Wagners, including as Chief Executive Officer of Wagners' Joint Venture with Wood Group
- Mechanical trade qualification
- Completed AICD Company Directors Course

## ANTHONY FREER

**General Manager – Cement**

- Appointed General Manager of Cement in October 2016
- 17 years experience in management positions
- Prior to General Manager appointment, assisted with Wellcamp Airport and Business Park construction for Wagners, coordinating utility services and contract administration
- Extensive experience in retail automotive business as owner/operator
- Bachelor of Financial Administration – University of New England

## MICHAEL KEMP

**General Manager – Composite Fibre Technologies**

- Appointed General Manager of CFT in March 2017
- Employed by Wagners for over 16 years
- Over 19 years experience in the construction materials industry, including management/design/installation of the first composite fibre road bridge in Australia (Grafton NSW), as well as the first in Queensland (Blackbutt – Daguilar Highway)
- Bachelor of Engineering – University of Adelaide

## RACHEL ALLAN

**Group Human Resources Manager**

- Appointed Human Resources Manager in August 2010
- Employed by Wagners for 12 years
- Oversees recruitment, training and payroll functions
- Over 15 years experience in human resources – manufacturing, industrial relations, and hospitality prior to joining Wagners

## ANDREW MACQUEEN

**Head of Safety, Environment & Quality**

- Appointed Head of Safety, Environment and Quality in January 2012
- Over 25 years experience in various operational positions, including prior roles as Managing Director at Aviation Safety Management Ltd and Senior Air Safety Investigator at Qantas
- Qualified air traffic controller
- Member of the International Society of Air Safety Investigators

## SHANE CHARLES

**General Manager – Strategy & Development**

- Appointed General Manager – Strategy & Development in April 2018
- Extensive Non-Executive Director experience including as Chairman of Stanwell Corporation Limited and Endeavour Foundation
- Working with significant stakeholders to position the Wagners business for growth


1 Cameron Coleman
2 Fergus Hume
3 Karen Brown
4 John Stark
5 Anthony Freer
6 Michael Kemp
7 Rachel Allan
8 Andrew Macqueen
9 Shane Charles


WAGNERS
WAGNERS

# FINANCIAL REPORT


## CONTENTS

# DIRECTORS' REPORT

## WAGNERS HOLDING COMPANY LIMITED

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 2018.

**Directors**
The following persons were directors of the Group during the period and until the date of this report:

| DIRECTOR | ROLE | DATE OF APPOINTMENT |
|---|---|---|
| Denis Wagner | Non-executive chairman | 2 November 2017 |
| John Wagner | Non-executive director | 2 November 2017 |
| Peter Crowley | Non-executive director | 9 November 2017 |
| Lynda O'Grady | Non-executive director | 8 November 2017 |
| Ross Walker | Non-executive director | 2 November 2017 |

## PRINCIPAL ACTIVITIES

The principal activities of the Group consist of Construction Materials and Services (CMS) and New Generation Building Materials (NGBM).

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).

## DIVIDENDS

An interim dividend of 1.5 cents per share totalling $2.4 million was paid on 17 April 2018.

After the balance date, the Group declared a final dividend for the year ended 30 June 2018 of 3.5 cents per share, fully franked. This is in line with the dividend policy disclosed in the prospectus to be paid in October 2018. The financial effect of this dividend has not been brought to account in the financial statements for the period ended 30 June 2018 and will be recognised in subsequent financial reports.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Company was incorporated on 2 November 2017 and at or around the same time, acquired all the subsidiary entities of Wagners Holding Company Operations Pty Ltd, in exchange for the issue of ordinary shares in the Company. At the same time the Company acquired all the ordinary shares in Wagners Composite Fibre Technology Pty Ltd, Wagners CFT Manufacturing Pty Ltd and Wagners EFC Pty Ltd. These transactions were all between Common Controlled Entities.

On 20 November 2017, Wagners lodged a prospectus seeking to raise $100 million for the issue of ordinary shares and listing on the ASX. The prospectus also provided for the sell down of shares held by existing shareholders.

On 8 December 2017, Wagners Holding Company Limited listed on the ASX under the ticker code WGN.

As part of the Initial Public Offering, Wagners received net proceeds of $92 million ($100 million less $8 million listing and restructure costs). The Group utilised the net proceeds to pay down existing debt facilities.

## OPERATING AND FINANCIAL REVIEW

### Group financial results

Statutory net profit after tax (NPAT) of $24,807,000 (30 June 2017: $19,023,000) increased by 30.4 per cent over the 2017 result. Wagners recorded a pro forma NPAT result of $23,226,000, in line with the pro forma prospectus forecast of $23,200,000.

**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 Wagners in light of the significant non-recurring events that have occurred, primarily being the IPO.

# DIRECTORS' REPORT

## OPERATING AND FINANCIAL REVIEW (CONTINUED)

**Pro forma and statutory results**

Pro forma results are provided for the financial year ended 30 June 2018 to allow shareholders to make a meaningful comparison with the pro forma prospectus forecasts and to make an assessment of the Group's performance as a listed company. Pro forma and statutory results are summarised in Table 1 on the following pages.

Pro forma adjustments have been made on a consistent basis with those made in the prospectus. 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 prospectus forecast and prior financial year**

| | FY2018 PRO FORMA ACTUAL $'000 | FY2018 PRO FORMA FORECAST[1] $'000 | FY2017 PRO FORMA ACTUAL $'000 | FY2018 STATUTORY ACTUAL[2] $'000 | FY2018 STATUTORY FORECAST[1,2] $'000 | FY2017 STATUTORY ACTUAL[2] $'000 |
|---|---|---|---|---|---|---|
| Revenue | 231,530 | 231,800 | 192,700 | 231,530 | 217,300 | 192,652 |
| Cost of sales | (86,889) | (89,400) | (83,800) | (86,889) | (82,900) | (81,044) |
| **Gross profit** | **144,641** | **142,400** | **108,900** | **144,641** | **134,400** | **111,608** |
| Other income | 3,866 | 2,100 | 2,700 | 3,866 | 2,100 | 5,509 |
| Operating expenses | (98,202) | (94,500) | (71,300) | (99,683) | (90,000) | (67,078) |
| **EBITDA** | **50,305** | **50,000** | **40,300** | **48,824** | **46,500** | **50,039** |
| Depreciation and amortisation | (10,819) | (10,100) | (11,800) | (10,819) | (9,700) | (13,587) |
| **EBIT** | **39,486** | **39,900** | **28,500** | **38,005** | **36,800** | **36,452** |
| Net finance costs | (6,306) | (6,700) | (6,500) | (7,670) | (8,000) | (9,250) |
| **Net profit before tax** | **33,180** | **33,200** | **22,000** | **30,335** | **28,800** | **27,202** |
| Income tax expense | (9,954) | (10,000) | (6,600) | (5,528) | (8,700) | (8,179) |
| **NPAT** | **23,226** | **23,200** | **15,400** | **24,807** | **20,100** | **19,023** |

**Notes:**

1 Forecast as per Wagners prospectus dated 20 November 2017.

2 Statutory results include the performance of all Group entities for the entire 2018 and 2017 financial year, per Continuation Accounting Policy in Note 1(a)(ii), whereas the statutory results disclosed in Wagners prospectus did not include the first five months performance of certain Group subsidiaries in its calculations.

**Pro forma results vs forecast**

Strong growth in cement volumes, increased bulk haulage and increased precast revenue have contributed to the revenue meeting forecast. These increases have resulted in lower than forecasted cost of sales, this however has been offset by increased operating expenses as a result of the nature of the work involved.

Other income reflects asset sales and increased fuel tax credits compared to the forecast numbers.

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

**Statutory results vs forecast**

The major variances have been discussed in the previous section of pro forma results compared to forecast, and within Note 2 of Table 1 above. Items included in the statutory results that are not included in the pro forma results include:

» Listing costs expensed in respect of the IPO, being $4.2m

The income tax expense includes adjustments for carry forward tax losses and research and development offsets greater than originally forecast.

## OPERATING AND FINANCIAL REVIEW (CONTINUED)

### Group financial results (continued)

**Table 2: Reconciliation of pro forma results to statutory results**

| GROUP RESULTS ($'000) | NOTE | FY2018 ACTUAL | FY2018 FORECAST | FY2017 ACTUAL |
|---|---|---|---|---|
| **Statutory revenue** | | **231,530** | **217,300** | **192,700** |
| Contributions from IPO Subsidiaries | 1 | – | 14,500 | – |
| **Pro forma revenue** | | **231,530** | **231,800** | **192,700** |
| **Statutory EBITDA** | | **48,824** | **46,500** | **50,039** |
| Contributions from IPO Subsidiaries | 1 | – | 1,500 | – |
| Standalone corporate costs | 2 | (1,700) | (1,700) | (4,000) |
| Reversal of costs of the Offer | 3 | 4,212 | 3,700 | – |
| Reversal of fair value on derivative instruments gain | 4 | (1,227) | – | – |
| Reversal of loss on asset impairment write downs | 5 | 196 | – | – |
| Excluded assets | 6 | – | – | (1,839) |
| Reversal of one-off clinker benefit | 7 | – | – | (2,815) |
| Reversal of one-off gain on sale of quarry | 8 | – | – | (1,085) |
| **Pro forma EBITDA** | | **50,305** | **50,000** | **40,300** |
| **Statutory NPAT** | | **24,807** | **20,100** | **19,023** |
| Contributions from IPO Subsidiaries | 1 | – | 800 | – |
| Standalone corporate costs | 2 | (1,200) | (1,200) | (2,800) |
| Reversal of costs of the Offer | 3 | 2,948 | 2,600 | – |
| Reversal of fair value on derivative instruments gain | 4 | (859) | – | – |
| Reversal of loss on asset impairment write downs | 5 | 137 | – | – |
| Reversal of one-off clinker benefit | 7 | – | – | (1,970) |
| Reversal of one-off gain on sale of quarry | 8 | – | – | (760) |
| Revised debt structure | 9 | – | – | 1,907 |
| Net finance costs | 10 | 955 | 900 | – |
| Tax benefit | 11 | (3,562) | – | – |
| **Pro forma NPAT** | | **23,226** | **23,200** | **15,400** |

**Notes:**

1 Prospectus adjustment to reflect additional contributions from certain IPO Subsidiaries as if these business lines had been included in Wagners since 1 July 2017, rather than from 1 December 2017. Actual Statutory results however, include the performance of all Group entities for the entire 2018 financial year, per Continuation Accounting Policy in Note 1(a)(ii).

2 Adjustment to include Wagners' estimate of the corporate costs incurred by previous ultimate head entity that is now incurred by Wagners post IPO. Standalone corporate costs included the incremental annual costs that Wagners incur as a listed public company, such as Directors' remuneration, additional Directors' and officers' liability insurance premiums, additional audit and tax costs, listing fees, Share Registry costs and annual general meeting costs. Annual costs were estimated at $4 million ($2.8 million post-tax). FY18 statutory NPAT included 7 months of costs, therefore $1.2 million of costs have been reflected in the pro forma NPAT for FY18.

3 Adjustment made to reverse the costs associated with the IPO.

4 Adjustment to remove gains made on derivative instruments fair values as at 30 June 2018.

5 Adjustment made to remove losses associated with assets written off as part of property, plant and equipment review.

6 Adjustment made to reflect assets transferred out of Wagners to related entities as part of IPO.

7 Adjustment made to reverse one-off gain from writing off creditor in respect to below specification clinker shipment.

8 Adjustment made to remove profit on sale of dormant quarry, as this does not form part of Wagners' business post IPO.

9 Adjustment made to reflect expected reduced debt structure post listing.

10 Adjustment to reflect estimated interest expense as if the New Banking Facilities had been in place since 1 July 2017.

11 Adjustment made to reflect a flat 30% tax rate on profit before tax used in prospectus calculations.

# DIRECTORS' REPORT

## OPERATING AND FINANCIAL REVIEW (CONTINUED)

### Group financial results (continued)

**Operating results by segment**

| SEGMENT ($'000) | PRO FORMA FY2018 REVENUE | PRO FORMA FY2018 EBIT | PRO FORMA FY2017 REVENUE | PRO FORMA FY2017 EBIT | GROWTH REVENUE | GROWTH EBIT |
|---|---|---|---|---|---|---|
| Construction, Materials and Services | 216,391 | 44,834 | 177,100 | 34,100 | 39,291 | 10,734 |
| New Generation Building Materials | 29,057 | 1,953 | 23,000 | 300 | 6,057 | 1,653 |
| Other/Eliminations | (13,918) | (7,301) | (7,400) | (6,000) | (6,518) | (1,301) |
| **NPAT** | **231,530** | **39,486** | **192,700** | **28,400** | **38,830** | **11,086** |

### Construction Materials and Services

Construction Materials and Services revenue growth has been driven by increased revenues across most of the divisions.

Cement volumes are up 14.8 per cent on prior year, due to increased cement consumption in south east Queensland and supply into renewable energy projects in south-east Queensland, northern New South Wales and northern Queensland.

Increased long term bulk haulage contracts in the north west mineral province of Queensland and Northern Territory and the central Queensland coal sector.

Increased precast volumes, due to large infrastructure projects in south-east Queensland and an increase in activity in the Surat Basin.

Increased supply of quarry materials, as a result of the opening of the Wellcamp Quarry to supply to large infrastructure projects and the local market.

EBIT growth in the year is driven by the increased volumes and revenues.

### New Generation Building Materials

New Generation Building Materials revenue includes CFT only as EFC® has no revenue to date.

The CFT revenue growth is due to both cross-arm volume growth of 21.0 per cent on the prior year and an increase in the pedestrian infrastructure, short span road bridge and marine infrastructure construction supply.

EBIT has grown in number terms, but reduced as a percentage of sales due to the increased costs associated with the sales efforts for CFT into international markets, namely the USA, UK and New Zealand.

**Financial position**

| | CONSOLIDATED GROUP 30 JUNE 2018 $'000 | CONSOLIDATED GROUP 30 JUNE 2017 $'000 | CONSOLIDATED GROUP CHANGE $'000 |
|---|---|---|---|
| Current assets | 62,091 | 49,380 | 12,711 |
| Non-current assets | 116,612 | 125,619 | (9,007) |
| Total assets | 178,703 | 174,999 | 3,704 |
| Current liabilities | 49,685 | 188,528 | (138,843) |
| Non-current liabilities | 69,716 | 9,213 | 60,503 |
| Total liabilities | 119,401 | 197,741 | (78,340) |
| **Net assets/(liabilities)** | **59,302** | **(22,742)** | **82,044** |

The Group has strengthened its balance sheet following the capital raised by the IPO ($100.0m) and the profits generated in the financial year ended 30 June 2018 ($24.8m).

Increased trade receivables, as a result of timing of invoices related to start-up of new project work and completion of large infrastructure work, together with increased inventory due to the commencement of operations at our Wellcamp quarry during the year, and an increase in cross-arm stocks have driven the increase in current assets.

Total liabilities have reduced as a result of the funds raised by the IPO being used to reduce debt, this partially being offset by increased tax liabilities due to the formation of a new tax consolidated group.

# DIRECTORS' REPORT

## OPERATING AND FINANCIAL REVIEW (CONTINUED)

### Strategy and future prospects

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

» **Continued expansion of ready-mix concrete plants:** the Group is continuing to establish and identify sites for expansion in its ready-mix concrete plant network. This will provide the Groups' cement business with a secure and growing sales channel, and provide additional exposure to the continued expected growth in south-east Queensland's ready-mix concrete supply market.

» **Increased productivity:** the Group will gain direct priority access to a wharf at its Pinkenba cement facility in FY19, lowering its demurrage costs and providing greater operational efficiency at the cement facility. The Group also continues to focus on innovation in its current manufacturing processes, providing efficiency gains and decreasing the cost of deliverables.

» **Development of New Generation Building Materials international operations:** the Group will continue its growth focus in international markets for its composite fibre and Earth Friendly Concrete products, with significant opportunities for a broad range of applications, particularly in the US, UK, New Zealand, Europe and Middle Eastern markets.

## ENVIRONMENTAL 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 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.

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 55 and forms part of the Directors' Report for financial year ended 30 June 2018.

## 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:

| | $ |
|---|---|
| Tax compliance, advisory and other services | 8,229 |
| Due diligence services | 71,131 |
| | **79,360** |

# DIRECTORS' REPORT

## ROUNDING

The Company is of a kind referred to in *Australian Securities & Investment Commission (ASIC)* Corporations 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.

## SIGNIFICANT EVENTS OCCURRING AFTER THE BALANCE DATE

Subsequent to the financial year end, as noted above, on 22 August 2018 the Directors declared a fully franked final dividend of 3.5 cents per share, totalling $5.6 million to be paid on 16 October 2018.

Wagners entered into a contract on 13 July 2018 to purchase an operational quarry in North West Queensland with a contract price of $4 million, and is expected to settle on 31 August 2018.

Other than the matter discussed above, 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 2018.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

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 late in the 2019 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 anticipated acquisition of an operational quarry in the mineral province of North West Queensland will strengthen our presence in this area to take advantage of the increased activity in the resources sector.

The establishment of permanent concrete plants in south-east Queensland, with two currently operational, one more to be operational by the first quarter of the 2019 financial year and four sites secured for future plants, delivers on the strategy outlined in the prospectus. This, together with the acquisition of a greenfield quarry site in south-east Queensland, which will be developed over the next two years, strengthens the Group's position as a preferred supplier of construction materials in this market.

Increasing production capacity through the construction of two new pultrusion lines 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 into the USA for over a decade to be performed in late 2018. A contract for supply of cross-arms in New Zealand entered into in 2018 could be joined by further contracts following the end of trials in the UK and New Zealand, that are currently underway.

The expected receival of Deutsches Institut für Bautechnik (DIBt) approval for Earth Friendly Concrete (EFC) in Germany in the first quarter of 2019 will give EFC® approval across Europe and numerous Middle Eastern countries as well. This approval along with advanced discussion with several major parties for joint ventures or licencing agreements in Germany will provide a launch platform for 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 opportunities in Singapore and New Zealand for the use of EFC® will see increased international acceptance and increased international commercialisation of this technology.

# DIRECTORS' REPORT

**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 having 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 | 22,157,670 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 having 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 | 22,157,670 Ordinary shares |
| Interests in options | None |
| Interests in rights | None |
| Contractual rights to shares | None |

| | |
|---|---|
| **Name** | **Peter Crowley** |
| Title | Independent, Non-executive Director |
| Qualifications | BEcon, BA, FAICD |
| Experience and expertise | Peter has over 35 years experience in the construction materials and building products industries and 20 years experience as a public company director, including Managing Director of GWA Group for 13 years. He also currently serves on the Advisory Board of BGW Group. |
| Other current directorships | Wesley Medical Research Limited |
| Former directorships (last 3 years) | GWA Group Limited (GWA) |
| Special responsibilities | Chair of Remuneration Committee and Member of Audit and Risk Committee |
| Interests in shares | 44,280 Ordinary shares |
| Interests in options | None |
| Interests in rights | None |
| Contractual rights to shares | None |

# DIRECTORS' REPORT

**Information on Directors and Company Secretary (continued)**

| | |
|---|---|
| **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) |
| Former directorships (last 3 years) | None |
| Special responsibilities | Chair of Audit and Risk Committee and Member of Nomination Committee |
| Interests in shares | 101,476 Ordinary shares |
| Interests in options | None |
| Interests in rights | None |
| Contractual rights to shares | None |

| | |
|---|---|
| **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) |
| Former directorships (last 3 years) | National Electronic Health Transition Authority – NEHTA |
| Special responsibilities | Member of Nomination Committee and Remuneration Committee |
| Interests in shares | 18,450 Ordinary shares |
| Interests in options | None |
| Interests in rights | None |
| Contractual rights to shares | None |

| | |
|---|---|
| **Name** | **Karen Brown** |
| Title | Company Secretary, General Counsel |
| 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 17 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 | 9,225 Ordinary shares |
| Interests in options | None |
| Interests in rights | None |
| Contractual rights to shares | None |

**Notes:**

*'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' 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 2018, and the number of meetings attended by each Director were:

| | FULL BOARD MEETINGS | | AUDIT & RISK COMMITTEE MEETINGS | | REMUNERATION COMMITTEE MEETINGS | |
|---|---|---|---|---|---|---|
| | HELD | ATTENDED | HELD | ATTENDED | HELD | ATTENDED |
| Denis Wagner | 6 | 6 | – | – | 1 | 1 |
| John Wagner* | 6 | 5 | 1 | 1 | – | – |
| Peter Crowley | 6 | 6 | 1 | 1 | 1 | 1 |
| Ross Walker | 6 | 6 | 1 | 1 | – | – |
| Lynda O'Grady | 6 | 6 | – | – | 1 | 1 |
| Joseph Wagner* | 1 | 1 | – | – | – | – |

**Notes:**

* 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.
No nomination committee meetings were held during the financial year ended 30 June 2018.
*Held: represents the number of meetings held during the time the Director held office or was a member of the relevant committee.*

# LEAD AUDITOR'S INDEPENDENCE DECLARATION
## UNDER SECTION 307C OF THE *CORPORATIONS ACT 2001*

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Fax: +61 7 3221 9227
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Level 10, 12 Creek St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

**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 2018, 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, 22 August 2018

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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 2018.

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 2018:

| DIRECTOR | ROLE | TERMS AS KMP |
|---|---|---|
| **Non-executive Directors** | | |
| Denis Wagner | Non-executive Chairman | From 2 November 2017 |
| John Wagner | Non-executive Director | From 2 November 2017 |
| Peter Crowley | Non-executive Director | From 9 November 2017 |
| Lynda O'Grady | Non-executive Director | From 8 November 2017 |
| Ross Walker | Non-executive Director | From 2 November 2017 |
| **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.

Wagners has several policies to support a strong governance framework. These policies include a Diversity Policy, Continuous Disclosure 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. No consultants were engaged during the financial year to provide recommendations in respect of KMP remuneration.

# REMUNERATION REPORT (AUDITED)

## 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.

### (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 management reported Earnings Before Interest and Taxes (EBIT) has been assessed as the most suitable measure of financial performance for the STI. The management reported EBIT is a performance measurement used internally by management that is EBIT normalised for asset sales, impairment and derivative revaluations.

The following table outlines the key features of the STI Plan for the financial year ended 30 June 2018, granted to the key employees on 20 August 2018:

| | | |
|---|---|---|
| **Participants** | All KMP executives and senior management | |
| **Performance period** | Financial year ending 30 June 2018 | |
| **Opportunity** | **Disclosed executives** | **On target** |
| | CEO | 25% of base salary |
| | CFO | 25% of base salary |
| **Performance target** | Performance was measured against a management reported EBIT as described above and ratified by the Board. | |
| **Performance results** | The Group achieved the management reported EBIT result for the financial period, satisfying the Group STI performance target. | |
| **Payment method** | 100% of STI earned will be payable by way of cash in three equal annual tranches, over two years.<br>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. | |

## 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).

Key employees identified by the Board will be offered participation under the LTI in the form of Shares, options or rights. The vesting of the Shares, options or rights may be subject to the satisfaction of service-based conditions and performance hurdles which, when satisfied, will allow participating employees to receive Shares or vested options or rights which are exercisable over Shares.

The Company may require, on exercise or vesting of the Shares, options or rights under the LTI Plan, the Shares to be held on behalf of all or certain of the participating employees by an employee share trust.

The Company is yet to implement the adopted LTI Plan and the Remuneration Committee intends to implement the LTI Plan during the 2019 financial year for KMP and senior management.

## 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), Denis Wagner and John Wagner have not received director fee payments in the current financial year. Directors may also be reimbursed for all travelling and other expenses incurred in connection with their Company duties.

## 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 current financial year.

| | 2018 STATUTORY ACTUAL | 2018 PRO FORMA ACTUAL |
|---|---|---|
| Revenue ($'000) | 231,530 | 231,530 |
| EBITDA ($'000) | 48,824 | 50,305 |
| EBIT ($'000) | 38,005 | 39,486 |
| NPAT ($'000) | 24,807 | 23,226 |
| Dividends paid (cents per share) | 1.5 | 1.5 |
| Basic Earnings per share (cents) | 17.1 | 16.0 |
| Share price movement post IPO (cents per share) | 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 | 430,000 |
| Fergus Hume | CFO | Unlimited | 6 months | Notice period | 210,046 |

# REMUNERATION REPORT (AUDITED)

## 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 2018 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 | 100% | 0% | 107,500 |
| Fergus Hume | 25% of base salary | 100% | 0% | 52,511 |

### (b) Director and executive KMP remuneration for the year ended 30 June 2018

Details of the remuneration of Directors and other KMP of the Company in respect to their terms as a KMP outlined above, for the full financial year ended 30 June 2018 are set out in the table below:

| | SHORT-TERM | | | | POST-EMPLOYMENT | LONG TERM | | | |
|---|---|---|---|---|---|---|---|---|---|
| IN DOLLARS | SALARY AND FEES[1] | IPO BONUS[2] | STI AWARDED[3] | NON-CASH BENEFITS | SUPER-ANNUATION | LONG SERVICE LEAVE[4] | SHARE BASED PAYMENTS | TOTAL REMUNERATION | PERFORMANCE RELATED % |
| **Non-executive Directors** | | | | | | | | | |
| Denis Wagner[5] | – | – | – | – | – | – | – | – | – |
| John Wagner[5] | – | – | – | – | – | – | – | – | – |
| Peter Crowley | 58,333 | – | – | – | – | – | – | 58,333 | – |
| Lynda O'Grady | 58,333 | – | – | – | – | – | – | 58,333 | – |
| Ross Walker | 58,333 | – | – | – | – | – | – | 58,333 | – |
| **Executive KMPs** | | | | | | | | | |
| Cameron Coleman[6] | 481,439 | 100,000 | 107,500 | 22,845 | 31,094 | 14,341 | – | 757,219 | 14.2% |
| Fergus Hume[6] | 217,519 | 45,662 | 52,511 | 16,878 | 23,201 | 500 | – | 356,271 | 14.7% |
| **Total Directors' and Executive remuneration** | **873,957** | **145,662** | **160,011** | **39,723** | **54,295** | **14,841** | **–** | **1,288,489** | **12.4%** |

**Notes:**

1 Amount includes the value of annual leave accrued during the year.
2 One-off bonuses granted in connection to Wagners IPO.
3 STI payments relate to plan performance and outcomes for the year they were earned, not the year of payment. STIs awarded are paid in three equal tranches over a two-year period, with outstanding amounts forfeited should the employee terminate their contract.
4 Amount includes the value of long service leave accrued during the year.
5 Denis Wagner and John Wagner were not paid any Director fees for the current financial year as agreed. Director salaries prior to IPO incurred in company outside of the Group, as such these payments do not form part of the remuneration report.
6 Wagners Holding Company Limited was incorporated on 2 November 2017, however amounts reflect full financial year of remuneration.

## 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 2018 financial year, is as follows:

| KEY MANAGEMENT PERSON | OPENING BALANCE | ISSUED ON IPO | ISSUED ON EXERCISE OF STI SHARES | SHARE DISPOSALS | CLOSING BALANCE |
|---|---|---|---|---|---|
| Denis Wagner[1] | – | 22,157,670 | – | – | 22,157,670 |
| John Wagner[1] | – | 22,157,670 | – | – | 22,157,670 |
| Peter Crowley | – | 44,280 | – | – | 44,280 |
| Lynda O'Grady | – | 18,450 | – | – | 18,450 |
| Ross Walker | – | 101,476 | – | – | 101,476 |
| Cameron Coleman | – | 67,343 | – | – | 67,343 |
| Fergus Hume | – | 1,476 | – | – | 1,476 |

**Notes:**

1 Ordinary shares issued upon demerger transactions as part of IPO. These shares are subject to a voluntary escrow period until the earlier of release of the Group's 2019 financial year results, or two years from 8 December 2017.

## EQUITY INSTRUMENTS HELD BY KEY MANAGEMENT PERSONNEL (CONTINUED)

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

There were no STI/LTI shares granted or issued during the financial year ended 30 June 2018.

## 9. OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL AND THEIR RELATED PARTIES

### (a) Loans to KMP and their related parties

There were no loans issued to any KMP, or their related parties during the financial year ended 30 June 2018.

### (b) Other transactions with KMP and their related parties

The nature of transactions between the Group and KMP and their related parties were reformed as part of the IPO. As such, significant transactions have been categorised as 'Pre IPO' and 'Post IPO' transactions as follows.

### Pre IPO related party transactions

**Wagner family related entities**

Prior to listing on the ASX, transactions between Group companies and related entities were not all made on the basis of normal trading terms. The previous consolidated group, to which the Company was a party to, received and made payments from a single bank account with management directing funds where required via intercompany loan accounts. These intercompany loan accounts were not recognised as a receivable, rather as a distribution of equity to related parties.

Transactions with related entities of the Wagner family members prior to listing on the ASX, consisted of the following items, reflected in the accounts through 'Pre IPO distributions to related entities':

| DESCRIPTION | BENEFIT/(DEFICIT) $ |
|---|---|
| Sale of goods and services, conducted on normal trading terms | (3,166,062) |
| Payments for property rent, material royalties and other costs, conducted on normal trading terms | 2,812,461 |
| Payments made on behalf of related entities for such things as materials, contractor services, payroll, and repayment of loans and advances | (44,063,900) |
| Funds received on behalf of related entities for mainly the sale of goods, services and property sales/rent | 15,962,272 |
| Transactions surrounding the group restructure in preparation for listing on the ASX, such as transfer of property, plant and equipment and other assets, assumption of designated liabilities, and share transfers from related entities | (9,069,766) |
| **Distributions to related entities** | **(37,524,995)** |

**Directors and related parties**

Prior to listing on the ASX, Group companies transacted with Directors and their related parties for a variety of reasons. Transactions with Directors and their related parties, excluding any transactions specifically relating to their role as a Director or employee of the Group, prior to listing on the ASX consisted of the following items:

| NAME | DESCRIPTION | AMOUNTS RECEIVED/(PAID) $ |
|---|---|---|
| Denis Wagner | Sale of materials and services | 101,762 |
| John Wagner | Sale of materials and services | 202,367 |
| Joseph Wagner | Sale of materials and services | 144,921 |
| Neill Wagner | Sale of materials and services | 111,433 |
| Henry Wagner | Sale of materials and services | 4,957 |
| | Payment for property rent | (8,108) |
| Kenneth Wagner | Payment for contractor services | (44,100) |

# REMUNERATION REPORT (AUDITED)

## 9. OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL AND THEIR RELATED PARTIES (CONTINUED)

**Post IPO and subsequent periods related party transactions**

*Wagner family related entities*

Upon listing on the ASX the Group implemented policy and process changes for all dealings with related parties. All transactions between the Group and 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, and any amounts outstanding at 30 June 2018, are detailed as follows:

| DESCRIPTION | AMOUNTS RECEIVED/(PAID) $ |
|---|---|
| Sale of materials and services | 6,997,393 |
| Indemnity of losses on onerous contract | 737,851 |
| On charge of costs processed by the Group (predominately payroll) | 3,273,447 |
| Shared service agreement* | 308,965 |
| Payments for property rent, material royalties and other costs | (3,776,020) |

* The Group, as per the prospectus, has a shared service agreement with a related entity for shared resources and employees for a 12 month transition period from the IPO date, or ceasing earlier if agreed upon by both companies. These shared services are 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.

*Directors and related parties*

As above, all dealings between the Group and its Directors and their related parties are conducted at arms length on the basis of normal commercial trading terms and conditions. Such transactions, and any amounts outstanding at 30 June 2018, are detailed as follows:

| NAME | DESCRIPTION | AMOUNTS RECEIVED/(PAID) $ |
|---|---|---|
| Denis Wagner | Sale of materials and services | 417 |
| John Wagner | Sale of materials and services | 162,200 |
| Joseph Wagner | Sale of materials and services | 54,599 |
| Neill Wagner | Sale of materials and services | 704 |
| Henry Wagner | Payment for property rent | (8,094) |
| Kenneth Wagner | Payment for contractor services | (1,546) |

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 22 August 2018.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 30 JUNE 2018

| | NOTE | CONSOLIDATED GROUP 30 JUN 2018 $'000 | CONSOLIDATED GROUP 30 JUN 2017 $'000 |
|---|---|---|---|
| Revenue and other income | 3 | 235,396 | 198,161 |
| Direct material and cartage costs | | (86,889) | (81,044) |
| Employee benefits expense | | (45,354) | (31,846) |
| Depreciation and amortisation expense | | (10,819) | (13,587) |
| Net finance cost | 4 | (7,670) | (9,250) |
| Fuel | | (4,159) | (2,603) |
| Contract work and purchased services | | (11,868) | (5,032) |
| Freight and postal | | (915) | (1,354) |
| Legal and professional | | (1,485) | (1,197) |
| Rent | 4 | (8,141) | (6,656) |
| Repairs and maintenance | | (13,116) | (9,876) |
| Travel and accommodation | | (2,285) | (1,730) |
| Utilities | | (4,642) | (4,107) |
| Fair value adjustment on derivative instruments | | 1,227 | 2,511 |
| Impairment of property, plant and equipment | | – | (27) |
| Onerous contract expense | 4 | – | (2,289) |
| Listing costs | 4 | (4,212) | – |
| Other expenses | | (4,733) | (2,872) |
| **Profit before income tax** | | **30,335** | **27,202** |
| Income tax expense | 5 | (5,528) | (8,179) |
| **Profit attributable to equity holders of the parent** | | **24,807** | **19,023** |
| **Other comprehensive income (net of tax)** | | | |
| *Items that may be reclassified to profit or loss* | | | |
| Adjustment from translation of foreign controlled entities | 16 | (111) | (153) |
| **Total other comprehensive income** | | (111) | (153) |
| **Total comprehensive income attributable to equity holders of the parent** | | **24,696** | **18,870** |

| EARNINGS PER SHARE | | CENTS | CENTS |
|---|---|---|---|
| Basic earnings per share | 18 | 17.1 | 15.3 |
| Diluted earnings per share | 18 | 17.1 | 15.3 |

The accompanying notes form part of these financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## AS AT 30 JUNE 2018

| | NOTE | CONSOLIDATED GROUP 30 JUN 2018 $'000 | 30 JUN 2017 $'000 |
|---|---|---|---|
| **Current Assets** | | | |
| Cash and cash equivalents | 6 | 1,500 | 7,865 |
| Trade and other receivables | 7 | 43,303 | 28,264 |
| Inventories | 8 | 16,319 | 12,386 |
| Derivative instruments | 13 | 473 | 106 |
| Other assets | | 496 | 759 |
| **Total Current Assets** | | **62,091** | **49,380** |
| **Non-current Assets** | | | |
| Other financial assets | | 6 | 6 |
| Property, plant and equipment | 9 | 111,807 | 119,554 |
| Deferred tax assets | 10 | 4,568 | 5,821 |
| Other assets | | 231 | 238 |
| **Total Non-current Assets** | | **116,612** | **125,619** |
| **Total Assets** | | **178,703** | **174,999** |
| **Current Liabilities** | | | |
| Trade and other payables | 11 | 27,844 | 27,823 |
| Borrowings | 12 | 13,614 | 151,370 |
| Derivative instruments | 13 | 1,354 | 2,547 |
| Current tax liabilities | | 3,315 | 8 |
| Provisions | 14 | 3,558 | 6,780 |
| **Total Current Liabilities** | | **49,685** | **188,528** |
| **Non-current Liabilities** | | | |
| Borrowings | 12 | 67,027 | 6,810 |
| Derivative instruments | 13 | 2,294 | 1,961 |
| Provisions | 14 | 395 | 442 |
| **Total Non-current Liabilities** | | **69,716** | **9,213** |
| **Total Liabilities** | | **119,401** | **197,741** |
| **Net Assets/(Liabilities)** | | **59,302** | **(22,742)** |
| **Equity** | | | |
| Issued capital | 15 | 371,334 | 274,040 |
| Pre IPO distributions to related entities | 15 | (354,613) | (317,088) |
| Reserves | 16 | (371) | (11,076) |
| Retained earnings | | 42,952 | 31,382 |
| **Total Equity** | | **59,302** | (22,742) |

The accompanying notes form part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 30 JUNE 2018

| | | CONSOLIDATED GROUP | | | | |
|---|---|---|---|---|---|---|
| | NOTE | SHARE CAPITAL $'000 | PRE IPO DISTRIBUTIONS TO RELATED ENTITIES $'000 | RESERVES $'000 | RETAINED EARNINGS $'000 | TOTAL $'000 |
| **Balance at 1 July 2016** | | 274,040 | (291,787) | (10,923) | 12,359 | (16,311) |
| Profit for the financial year | | – | – | – | 19,023 | 19,023 |
| Exchange differences from translation of foreign controlled entities | | – | – | (153) | – | (153) |
| **Total comprehensive income for the year** | | – | – | **(153)** | **19,023** | **18,870** |
| Transfers between equity components | | – | – | – | – | – |
| ***Transactions with owners in their capacity as owners:*** | | | | | | |
| Pre IPO distributions to related entities | 22 | – | (25,301) | – | – | (25,301) |
| **Balance at 30 June 2017** | | **274,040** | **(317,088)** | **(11,076)** | **31,382** | **(22,742)** |
| | | | | | | |
| **Balance at 1 July 2017** | | 274,040 | (317,088) | (11,076) | 31,382 | (22,742) |
| Profit for the financial year | | – | – | – | 24,807 | 24,807 |
| Exchange differences from translation of foreign controlled entities | | – | – | (111) | – | (111) |
| **Total comprehensive income for the year** | | – | – | **(111)** | **24,807** | **24,696** |
| Transfers between equity components | | – | – | 10,816 | (10,816) | – |
| ***Transactions with owners in their capacity as owners:*** | | | | | | |
| Pre IPO distributions to related entities | 22 | – | (37,525) | – | – | (37,525) |
| Dividends paid | 17 | – | – | – | (2,421) | (2,421) |
| New shares issued (net of share issue costs) | 15 | 97,294 | – | – | – | 97,294 |
| **Balance at 30 June 2018** | | **371,334** | **(354,613)** | **(371)** | **42,952** | **59,302** |

The accompanying notes form part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED 30 JUNE 2018

| | NOTE | CONSOLIDATED GROUP 30 JUN 2018 $'000 | CONSOLIDATED GROUP 30 JUN 2017 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers (inclusive of GST) | | 237,872 | 206,254 |
| Payments to suppliers and employees (inclusive of GST) | | (209,661) | (160,724) |
| Interest received | | 188 | 52 |
| Dividends received | | 674 | 345 |
| Finance costs | | (7,858) | (8,912) |
| Income tax paid | | 2 | (7,721) |
| **Net cash provided by operating activities** | 19 | **21,217** | **29,294** |
| **Cash flows from investing activities** | | | |
| Proceeds from sale of property, plant and equipment | | 1,262 | 2,172 |
| Proceeds from sale of investment property | | – | 3,250 |
| Payments for property, plant and equipment | | (5,818) | (5,728) |
| Payments for investment properties | | – | (65) |
| **Net cash used in investing activities** | | **(4,556)** | **(371)** |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | | 6,000 | 7,718 |
| Proceeds from IPO | | 99,998 | – |
| Share issue costs | | (8,074) | – |
| Pre IPO distributions to related entities [net] | | (27,848) | (25,652) |
| Dividends paid | | (2,421) | – |
| Repayment of borrowings | | (90,681) | (10,547) |
| **Net cash used in financing activities** | | **(23,026)** | **(28,481)** |
| Cash at beginning of financial year | | 7,865 | 7,423 |
| Net increase (decrease) in cash held | | (6,365) | 442 |
| **Cash at end of financial year** | | **1,500** | **7,865** |

The accompanying notes form part of these financial statements.

## 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 2018 were authorised for issue in accordance with a resolution of the Directors on 22 August 2018.

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) Continuation accounting*

The Company was incorporated on 2 November 2017 and at or around the same time, acquired all the subsidiary entities of Wagners Holding Company Operations Pty Ltd, in exchange for the issue of ordinary shares in the Company. At the same time the Company acquired all the ordinary shares in Wagners Composite Fibre Technology Pty Ltd, Wagners CFT Manufacturing Pty Ltd and Wagners EFC Pty Ltd. These transactions were all between Common Controlled Entities.

In accordance with Australian Accounting Standards, the acquisitions of the Common Controlled Entities does not meet the definition of a business combination within the provisions of AASB 3 Business Combinations as the Company was established for the sole purpose of acquiring the Common Controlled Entities by the way of equity. Therefore, the Company has applied the continuation method of accounting in preparing the consolidated financial statements.

Under continuation accounting the Company is effectively adopting book value accounting, whereby the assets and liabilities of the acquiree are recognised at their previous carrying amounts. No adjustments are made to reflect fair values and no new assets (including goodwill) and liabilities of the acquiree are recognised at the date of the business combination. However, it is necessary to harmonize accounting policies. Any differences between the acquired net assets and the consideration has been recognised through '*Pre IPO distributions to related entities*' in equity. This approach has been adopted based on the view that a particular business has simply been transferred from one part of the group to another, and so any transaction differences considered are a contribution or withdrawal from equity.

Additionally, continuation accounting dictates that comparative financial information includes that of the Group as if it existed in its current structure at the beginning of the comparative period.

#### *(iii) 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 14); and

» The determination of deprecation rates on property, plant and equipment (Note 9).

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

The Group has adopted new and revised Standards and Interpretations issued by the AASB that are relevant to operations and effective for the current reporting period. The adoption of these new and revised Standards and Interpretations have not had a material impact on the Group for the full year ended 30 June 2018.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2018

## 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

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, type of transaction, and the specific of each arrangement. The Group recognises revenue from its primary sources as follows:

*(i) Sale of goods*

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

*(ii) Provision of services*

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period, where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

*(iii) Construction contracts*

Revenue relating to construction contracts is detailed in Note 1(g).

*(iv) 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.

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

### (d) 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 this case, the tax is also recognised in other comprehensive income.

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.

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (d) Income tax (continued)

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.

### (e) 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.

**(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.

### (f) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of manufactured products includes direct costs and 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.

### (g) Construction contracts and work in progress

Construction work in progress is measured at cost, plus profit recognised to date less any provision for anticipated future losses. Cost includes both variable and fixed costs relating to specific contracts, and those costs that are attributable to the contract activity in general and that can be allocated on a reasonable basis.

Construction profits are recognised on the stage of completion basis and measured using the proportion of costs incurred to date compared to expected actual costs. Where losses are anticipated they are provided for in full.

Construction revenue has been recognised on the basis of the terms of the contract adjusted for any variations or claims allowable under the contract.

### (h) 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(k) 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.

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (h) Property, plant and equipment (continued)

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.

### Depreciation

The depreciable amount of all fixed assets including land improvements and buildings, but excluding freehold land, 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 and 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 assets 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.

### (i) Leases

Leases of property, plant and equipment, where substantially all the risks and benefits incidental to the ownership of the asset – but not the legal ownership – are transferred to the Group, are classified as finance leases. Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period. Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

### (j) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**(i) Financial assets**

**Initial recognition and measurement**
Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, or Available For Sale (AFS) financial assets, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

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

**Classification and subsequent measurement**
For the purposes of subsequent measurement, financial assets are classified in the following categories:

*Financial assets at fair value through profit or loss*

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by KMP on a fair value basis in accordance with a documented risk management or investment strategy.
Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (j) Financial instruments (continued)

**Loans and receivables**
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

**Available-for-sale investments**
Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any remeasurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are not expected to be sold within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

#### Impairment

A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified into profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include:

» Indications that the debtor or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; or
» Indications that they will enter bankruptcy or other financial reorganisation; or
» Changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), carrying amounts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original term of the financial asset. When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. The amount of impairment loss is recognised in profit or loss. Subsequent recoveries of amounts previously written off are credited in profit or loss.

#### Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

**(ii) Financial liabilities**

**Initial recognition and measurement**
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or payables, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, borrowings and derivative financial instruments.

**Subsequent measurement**
Non-derivative financial liabilities are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

#### Derecognition

Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (j) Financial instruments (continued)

**(iii) Derivative financial instruments**

The Group uses derivative financial instruments (interest rate swaps and foreign exchange contracts) during the year to hedge its risks associated with interest and exchange rate fluctuations. The following accounting policy has been adopted by the Directors to determine the accounting for the derivative financial instruments:

» Derivatives are initially measured at fair value on the date of a derivative contract is entered into and are subsequently measured at fair value at each reporting date. The net fair value of derivative financial instruments outstanding at the balance date is recognised in the statement of financial position as either financial asset or liability, allocated between current and non-current where expiry of the derivative instrument is at least 12 months after the reporting date.

» Accounting option as per AASB 139 Financial Instruments: Recognition and Measurement to classify the derivative instruments as a cash flow hedge has not been used and accordingly these are classified as at fair value through profit or loss, and the change in the fair value of the derivative financial instruments recognised in the statement of profit and loss.

### (k) Impairment of assets

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 assets carrying amount. Any excess of the assets 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).

### (l) Business combinations and goodwill

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary 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 subsidiary.

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.

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 subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in consolidated income statement 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 consolidated income statement.

### (m) 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.

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (m) Foreign currency transactions and balances (continued)

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 balance 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.

### (n) 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 in 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 per cent 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2018

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (n) 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.

### (o) 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.

### (p) 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.

### (q) 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 and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1(j)(i) for further discussion on the determination of impairment losses.

### (r) 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.

### (s) 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.

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.

### (t) 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.

### (u) 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.

### (v) 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).

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (v) Goods and services tax (GST) (continued)

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.

### (w) 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 Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. The Company is an entity to which this legislative instrument applies.

### (x) 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.

### (y) 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 2018 reporting periods and have not been early adopted by the Group. The Group's assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

| TITLE OF STANDARD | AASB 9 FINANCIAL INSTRUMENTS |
|---|---|
| Nature of change | AASB 9 includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting. |
| Impact | The Group does not expect the new guidance to affect the classification and measurement of their financial assets. However, gains or losses realised on the sale of financial assets classified as at fair value through other comprehensive income will no longer be transferred to profit or loss on sale, but instead reclassified below the line from the Fair Value through Other Comprehensive Income (FVOCI) reserve to retained earnings.<br><br>There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed.<br><br>AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. However, the Group does not intend to implement hedge accounting even with the introduction of AASB 9 and will continue to value its derivative financial instruments as at fair value through profit and loss.<br><br>The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under AASB 139. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under AASB 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group does not expect any material affect to impairment provisions.<br><br>The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard. |
| Date of adoption by Group | Must be applied for financial years commencing on or after 1 January 2018. The Group will apply the new rules for the financial years ending 30 June 2019, with the practical expedients permitted under the standard. Comparatives for 2018 will not be restated. |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2018

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) New accounting standards for application in future periods (continued)

| TITLE OF STANDARD | AASB 15 REVENUE FROM CONTRACTS WITH CUSTOMERS |
|---|---|
| Nature of change | The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.<br>The new standard is based on the core principle that revenue is recognised when the control of a good or service transfers to a customer.<br>The standard permits either a full retrospective or a modified retrospective approach for the adoption. |
| Impact | Based on the Groups' interpretations, it has been assessed that the implementation of AASB 15 is not likely to have a material effect on the consolidated financial statements. The Group has assessed the AASB 15 impact on the different agreement types that are used in its different business areas, noting the following:<br>» The majority of the Group's net sales comprise of materials and other product sales. These sales contracts are mostly standard in nature, where control transfers to the customer upon delivery, with no major impact compared to the current revenue recognition. Certain rebates, discounts and other special terms and conditions that deviate from the basic agreement types have also been analysed, and these are unlikely to have any impact on the Group's revenue recognition compared to the current accounting policy.<br>» Revenue for particular contracts within the New Generation Building Materials businesses are currently recognised over time based on the stage of completion method under AASB 111 *Construction Contracts*. These contracts will satisfy criteria under the new standard to recognise revenue over time, and so have no material impact on the current revenue recognition.<br>» Direct costs (primarily mobilisation costs) incurred to fulfill specific service contracts, will be eligible for capitalisation under AASB 15 and recognised as a contract asset as of 1 July 2018. These costs however are minor and will have no material effect on the financial statements.<br>Regardless of the changes to the Group's revenue recognition accounting, the new standard introduces expanded disclosure requirements and changes in presentation, which are expected to change the nature and extent of the Group's disclosures. Detailed quantitative and qualitative disclosure requirements are included in the new revenue standard that cover a range of topics, including the significant judgments made when measuring and recognising revenue. |
| Date of adoption by Group | Mandatory for financial years commencing on or after 1 January 2018. The Group intends to adopt the standard using the modified retrospective approach, which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 July 2018 and that comparatives will not be restated. |
| **TITLE OF STANDARD** | **AASB 16 LEASES** |
| Nature of change | AASB 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.<br>The accounting for lessors will not significantly change. |
| Impact | The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has significant non-cancellable operating lease commitments; see note 24. Additionally, as the new standard will impact earnings before interest and income taxes, the Group will need to review the current performance measures used to assess its STI plan.<br>However, the Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward. |
| Date of adoption by Group | Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. |

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2018

### 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 and 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®).

Segment performance is evaluated based on profit before interest and tax. Inter-segment pricing is determined on an arms 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 and profit or loss

| | CMS $'000 | NGBM $'000 | OTHER $'000 | TOTAL $'000 |
|---|---|---|---|---|
| **Financial year ended 30 June 2018** | | | | |
| Segment revenue and other income | 219,327 | 29,104 | 2,100 | 250,531 |
| Inter-segment elimination | | | | (15,135) |
| **Total revenue for the period** | | | | **235,396** |
| **Profit before interest and income tax** | 44,834 | 1,953 | (8,782) | **38,005** |
| Finance costs | | | | (7,858) |
| Interest income | | | | 188 |
| Income tax expense | | | | (5,528) |
| **Profit for the financial year** | | | | **24,807** |

| | CMS $'000 | NGBM $'000 | OTHER $'000 | TOTAL $'000 |
|---|---|---|---|---|
| **Financial year ended 30 June 2017** | | | | |
| Segment revenue and other income | 178,826 | 23,002 | 4,202 | 206,030 |
| Inter-segment elimination | | | | (7,869) |
| **Total revenue for the period** | | | | **198,161** |
| **Profit before interest and income tax** | 33,235 | 349 | 2,868 | **36,452** |
| Finance costs | | | | (9,302) |
| Interest income | | | | 52 |
| Income tax expense | | | | (8,179) |
| **Profit for the financial year** | | | | **19,023** |

## 2. SEGMENT REPORTING (CONTINUED)

### Major customers

The Group has a number of customers to whom it provides both materials and services. The Group supplies a single external customer (2017: two) in the CMS segment who accounts for 17 per cent of external revenue (2017: 34 per cent).

### Geographical information

The Group operates in several geographical limits, however its overseas operations for the financial year ended 30 June 2018 and the comparative period are immaterial to the Groups overall financial results.

## 3. REVENUE AND OTHER INCOME

| | CONSOLIDATED GROUP | |
|---|---|---|
| | 30 JUN 2018 $'000 | 30 JUN 2017 $'000 |
| **Sales revenue** | | |
| Sale of goods and services | 231,530 | 192,652 |
| **Other income** | | |
| Profit on sale of property, plant and equipment | 521 | 876 |
| Dividends received | 674 | 345 |
| Fuel rebates | 2,077 | 1,063 |
| Gain on disposal of investment property | – | 1,085 |
| Rent and hire received | 222 | 1,769 |
| Other income | 372 | 371 |
| | 3,866 | 5,509 |
| **Total revenue and other income** | **235,396** | **198,161** |

## 4. PROFIT OR LOSS ITEMS

Profit for the following year included the following specific items:

### (a) Expenses

| | CONSOLIDATED GROUP | |
|---|---|---|
| | 30 JUN 2018 $'000 | 30 JUN 2017 $'000 |
| *Rental expense relating to operating leases* | | |
| Plant and equipment – minimum lease payments | 4,082 | 2,824 |
| Property – minimum lease payments | 4,059 | 3,832 |
| Impairment losses – trade receivables (i) | 97 | 34 |
| Onerous contract expense (ii) | – | 2,289 |
| Listing costs (iii) | 4,212 | – |

*(i) Trade receivable impairment losses*

Impairment losses on trade receivables are recognised within other expenses.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2018

### 4. PROFIT OR LOSS ITEMS (CONTINUED)

*(ii) Onerous contract expense*

A provision was raised in the comparative financial year in respect of expected future losses from an on-site precast concrete project which has been deemed onerous.

*(iii) Listing costs*

The Company incurred one-off costs to list on the Australian Stock Exchange (ASX) in the current financial year. These costs include professional fees in preparing the prospectus, brokerage costs in marketing shares and additional expenditure in connection with floating the Company on the ASX. The amounts recognised in the profit or loss for the full year to 30 June 2018 represents costs that are attributable only to the sell down of existing held shares, with the balance of listing costs offsetting share capital.

(b) Net finance costs

| | CONSOLIDATED GROUP | |
|---|---|---|
| | 30 JUN 2018 $'000 | 30 JUN 2017 $'000 |
| Interest income | (188) | (52) |
| Interest costs and facility fees | 7,836 | 8,912 |
| Other finance costs | 22 | 390 |
| | **7,670** | **9,250** |

### 5. INCOME TAX

(a) Income tax expense

| | CONSOLIDATED GROUP | |
|---|---|---|
| | 30 JUN 2018 $'000 | 30 JUN 2017 $'000 |
| The components of tax expense comprise: | | |
| Current tax | 3,315 | 6,906 |
| Deferred tax | 2,411 | 1,281 |
| Adjustments in respect of prior periods | (198) | (8) |
| | **5,528** | **8,179** |

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

| | CONSOLIDATED GROUP | |
|---|---|---|
| | 30 JUN 2018 $'000 | 30 JUN 2017 $'000 |
| **Profit from continuing activities before income tax expense** | **30,335** | **27,202** |
| Prima facie tax payable using the Australian tax rate of 30% (2017: 30%) | 9,101 | 8,161 |
| *Adjusted for:* | | |
| Taxable items assessed under prior tax consolidated group* | (3,220) | (103) |
| Difference between Australian and overseas tax rates | 5 | 2 |
| Other net non-deductible/(non-assessable) items | (361) | 127 |
| Under/(over) provision from prior years | 3 | (8) |
| **Income tax expense** | **5,528** | **8,179** |

* Taxable income for the Group is only assessed upon creation of the new tax consolidated group, effective 8 December 2017. Taxable income before 8 December 2017 has been assessed and is payable by the previous tax consolidated group.

## 5. INCOME TAX (CONTINUED)

(c) Tax amounts recognised directly in equity

| | CONSOLIDATED GROUP | |
|---|---|---|
| | 30 JUN 2018 $'000 | 30 JUN 2017 $'000 |
| The following deferred tax amounts were (charged)/credited directly to equity during the year in respect of: | | |
| Net exchange difference taken to equity | – | (10) |
| Listing costs attributed to share capital | 1,158 | – |
| **Recognised in comprehensive income** | **1,158** | **(10)** |

## 6. CASH AND CASH EQUIVALENTS

| | CONSOLIDATED GROUP | |
|---|---|---|
| | 30 JUN 2018 $'000 | 30 JUN 2017 $'000 |
| Cash on hand | 6 | 22 |
| Cash at bank | 1,494 | 7,843 |
| | **1,500** | **7,865** |

## 7. TRADE AND OTHER RECEIVABLES

| | CONSOLIDATED GROUP | |
|---|---|---|
| | 30 JUN 2018 $'000 | 30 JUN 2017 $'000 |
| Trade receivables | 43,173 | 27,650 |
| Provision for impairment of receivables | (578) | (481) |
| | **42,595** | **27,169** |
| Other receivables | 708 | 1,095 |
| | **43,303** | **28,264** |

(a) Provision for impairment of receivables

Movement in the allowance for provision for impairment of trade receivables is as follows:

| | CONSOLIDATED GROUP | |
|---|---|---|
| | 30 JUN 2018 $'000 | 30 JUN 2017 $'000 |
| Balance at beginning of period | 481 | 447 |
| Impairment expense recognised during the year | 97 | 37 |
| Receivables written off/(recouped) during the year as uncollectable | – | (3) |
| **Balance at end of period** | **578** | **481** |

## 7. TRADE AND OTHER RECEIVABLES (CONTINUED)

### (b) Ageing of trade receivables

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 doubtful debt is recognised for the specific irrecoverable trade receivable amounts. The ageing of trade receivable is outlined below:

| | CONSOLIDATED GROUP | |
|---|---|---|
| | 30 JUN 2018 $'000 | 30 JUN 2017 $'000 |
| Current | 29,466 | 21,862 |
| 1 to 30 | 11,094 | 4,714 |
| 31 to 60 | 1,487 | 199 |
| 61 to 90 | – | – |
| 90+ | 548 | 394 |
| Provision for impairment of receivables | 578 | 481 |
| | **43,173** | **27,650** |

## 8. INVENTORIES

| | CONSOLIDATED GROUP | |
|---|---|---|
| | 30 JUN 2018 $'000 | 30 JUN 2017 $'000 |
| Raw materials and stores | 11,903 | 9,194 |
| Work in progress | 2,362 | 2,252 |
| Finished goods | 2,054 | 940 |
| | **16,319** | **12,386** |

The Group recognised $60,209,000 of inventory through profit or loss for the financial year ending 30 June 2018 (2017: $52,241,000).

## 9. PROPERTY, PLANT AND EQUIPMENT

| | CONSOLIDATED GROUP | |
|---|---|---|
| | 30 JUN 2018 $'000 | 30 JUN 2017 $'000 |
| **Land and buildings** | | |
| Land improvements and buildings – at cost | 18,749 | 17,252 |
| Less accumulated depreciation | (3,727) | (3,136) |
| | **15,022** | **14,116** |
| **Plant and equipment** | | |
| Plant and equipment – at cost | 132,545 | 144,558 |
| Less accumulated depreciation | (54,879) | (60,267) |
| | **77,666** | **84,291** |
| **Motor vehicles** | | |
| Motor vehicles – at cost | 30,671 | 33,959 |
| Less accumulated depreciation | (12,788) | (15,164) |
| | **17,883** | **18,795** |
| | | |
| Assets under construction – at cost | **1,236** | **2,352** |
| | | |
| **Total property, plant and equipment** | **111,807** | **119,554** |

## 9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

### (a) Movements in carrying amounts

| YEAR ENDED 30 JUNE 2018 $'000 | LAND AND BUILDINGS | PLANT AND EQUIPMENT | MOTOR VEHICLES | ASSETS UNDER CONSTRUCTION | TOTAL |
|---|---|---|---|---|---|
| Opening net book value | 14,116 | 84,291 | 18,795 | 2,352 | 119,554 |
| Additions | 1,584 | 3,937 | 6,727 | 2,649 | 14,897 |
| Transfers from under construction | – | 1,005 | – | (1,005) | – |
| Pre IPO transfers to related entities | – | (3,953) | (4,367) | (2,759) | (11,079) |
| Exchange differences | – | – | – | – | – |
| Impairment | – | – | – | – | – |
| Depreciation | (603) | (7,218) | (3,004) | – | (10,825) |
| Disposals | (75) | (396) | (268) | (1) | (740) |
| **Closing net book value** | **15,022** | **77,666** | **17,883** | **1,236** | **111,807** |

| YEAR ENDED 30 JUNE 2017 $'000 | LAND AND BUILDINGS | PLANT AND EQUIPMENT | MOTOR VEHICLES | ASSETS UNDER CONSTRUCTION | TOTAL |
|---|---|---|---|---|---|
| Opening net book value | 14,958 | 92,387 | 20,664 | 642 | 128,651 |
| Additions | (281) | 1,259 | 2,183 | 2,567 | 5,728 |
| Transfers from under construction | – | 857 | – | (857) | – |
| Pre IPO transfers to related entities | 53 | – | – | – | 53 |
| Exchange differences | – | (11) | – | – | (11) |
| Impairment | – | (27) | – | – | (27) |
| Depreciation | (612) | (9,493) | (3,410) | – | (13,515) |
| Disposals | (2) | (681) | (642) | – | (1,325) |
| **Closing net book value** | **14,116** | **84,291** | **18,795** | **2,352** | **119,554** |

As at 30 June 2018 the value of the Group's assets pledged as security was $18,036,000 (2017: $15,987,000).

## 10. DEFERRED TAX ASSETS AND LIABILITIES

### (a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

| | ASSETS | | LIABILITIES | | NET ASSETS/(LIABILITIES) | |
|---|---|---|---|---|---|---|
| $'000 | 30 JUN 2018 | 30 JUN 2017 | 30 JUN 2018 | 30 JUN 2017 | 30 JUN 2018 | 30 JUN 2017 |
| Inventories | – | – | (340) | (309) | (340) | (309) |
| Property, plant and equipment | 45 | 1,802 | – | – | 45 | 1,802 |
| Doubtful debts | 173 | 144 | – | – | 173 | 144 |
| Revenue received in advance | – | 330 | – | – | – | 330 |
| Employee benefits | 1,545 | 1,714 | – | – | 1,545 | 1,714 |
| Derivative financial instruments | 1,095 | 1,352 | (142) | (32) | 953 | 1,320 |
| Provisions | 71 | 758 | – | – | 71 | 758 |
| Other items | 2,302 | 271 | (181) | (209) | 2,121 | 62 |
| Deferred tax assets/(liabilities) | 5,231 | 6,371 | (663) | (550) | 4,568 | 5,821 |
| Set off deferred taxes | (663) | (550) | 663 | 550 | – | – |
| **Net deferred tax assets** | **4,568** | **5,821** | – | – | **4,568** | **5,821** |

## 10. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

### (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 2018<br>$'000 | OPENING BALANCE | CHARGED TO INCOME | CHARGED TO EQUITY | EXCHANGE DIFFERENCES | CLOSING BALANCE |
|---|---|---|---|---|---|
| Inventories | (309) | (31) | – | – | (340) |
| Property, plant and equipment | 1,802 | (1,757) | – | – | 45 |
| Doubtful debts | 144 | 29 | – | – | 173 |
| Revenue received in advance | 330 | (330) | – | – | – |
| Employee benefits | 1,714 | (169) | – | – | 1,545 |
| Derivative financial instruments | 1,320 | (367) | – | – | 953 |
| Provisions | 758 | (687) | – | – | 71 |
| Other items | 62 | 901 | 1,158 | – | 2,121 |
| **Net deferred tax assets** | **5,821** | **(2,411)** | **1,158** | – | **4,568** |

| YEAR ENDED 30 JUNE 2017<br>$'000 | OPENING BALANCE | CHARGED TO INCOME | CHARGED TO EQUITY | EXCHANGE DIFFERENCES | CLOSING BALANCE |
|---|---|---|---|---|---|
| Inventories | (276) | (33) | – | – | (309) |
| Property, plant and equipment | 3,006 | (1,204) | – | – | 1,802 |
| Doubtful debts | 134 | 10 | – | – | 144 |
| Revenue received in advance | 488 | (158) | – | – | 330 |
| Employee benefits | 1,527 | 187 | – | – | 1,714 |
| Derivative financial instruments | 2,074 | (754) | – | – | 1,320 |
| Provisions | 71 | 687 | – | – | 758 |
| Other items | 88 | (16) | – | (10) | 62 |
| **Net deferred tax assets** | **7,112** | **(1,281)** | – | **(10)** | **5,821** |

## 11. TRADE AND OTHER PAYABLES

| | CONSOLIDATED GROUP | |
|---|---|---|
| | 30 JUN 2018<br>$'000 | 30 JUN 2017<br>$'000 |
| Trade payables | 13,682 | 19,817 |
| Income received in advance | – | 1,100 |
| Sundry payables and accrued expenses | 14,162 | 6,906 |
| | **27,844** | **27,823** |

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2018

### 12. BORROWINGS

| | CONSOLIDATED GROUP | |
|---|---|---|
| | 30 JUN 2018 $'000 | 30 JUN 2017 $'000 |
| **Current** | | |
| *Secured liabilities* | | |
| Finance facility | 6,000 | 145,321 |
| Hire purchase and chattel mortgages | 7,614 | 6,049 |
| | **13,614** | **151,370** |
| **Non-current** | | |
| *Secured liabilities* | | |
| Finance facility | 62,000 | – |
| Hire purchase and chattel mortgages | 5,027 | 6,810 |
| | **67,027** | **6,810** |
| **Total current and non-current secured liabilities:** | | |
| Finance facility (i) | 68,000 | 145,321 |
| Hire purchase and chattel mortagages (ii) | 12,641 | 12,859 |
| | **80,641** | **158,180** |

**(i) Finance facility**

The Group previously re-negotiated a $150 million finance facility on 28 July 2017. Upon listing on the ASX, the Group re-negotiated its finance facility on 12 December 2017 for a term debt facility limit of $125 million for three years. The products within the term debt facility bear interest at the Bank Bill Swap Rate plus a predetermined margin. The Group utilised funds received from the issue of new shares in the Company to paydown the prior facility to a balance of $60.2 million.

The Group is required to meet two covenants as part of its facility agreement, a fixed charge cover ratio and debt to EBITDA ratio. Both covenants have been complied with during the financial year ended 30 June 2018.

**(ii) Hire purchase and chattel mortgages**

The Group enters into agreements to fund certain plant and equipment purchases, these are assessed on a case by case basis. Further details of the minimum payments outstanding can be found in Note 24.

### 13. DERIVATIVE INSTRUMENTS

| | | 30 JUN 2018 | | 30 JUN 2017 | |
|---|---|---|---|---|---|
| | NOTE | CURRENT $'000 | NON-CURRENT $'000 | CURRENT $'000 | NON-CURRENT $'000 |
| **Assets** | | | | | |
| Foreign exchange forward contracts | | **473** | – | **106** | – |
| | | | | | |
| **Liabilities** | | | | | |
| Foreign exchange forward contracts | | – | – | (36) | – |
| Interest rate swap contracts | | (1,354) | (2,294) | (2,511) | (1,961) |
| | | **(1,354)** | **(2,294)** | **(2,547)** | **(1,961)** |
| | | | | | |
| **Total derivative assets/(liabilities)** | 20 | **(881)** | **(2,294)** | **(2,441)** | **(1,961)** |

## 14. PROVISIONS

### (a) Provision for employee benefits

| | CONSOLIDATED GROUP | |
|---|---|---|
| | 30 JUN 2018 $'000 | 30 JUN 2017 $'000 |
| **Current** | | |
| Employee benefits | 3,321 | 4,254 |
| Onerous contracts | – | 2,289 |
| Other | 237 | 237 |
| | **3,558** | **6,780** |
| **Non-current** | | |
| Employee benefits | 395 | 442 |
| **Total provisions** | **3,953** | **7,222** |

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.

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. The measurement and recognition criteria relating to employee benefits have been discussed in Note 1(n).

### (b) Provision for onerous contracts

The Group previously recognised a provision for an onerous contract, which was fully utilised during the period. The Group has been indemnified of any future losses on the onerous contract by Wagner Group Holdings Pty Ltd, a related entity of Denis Wagner and John Wagner.

### (c) Movements in provisions

| YEAR ENDED 30 JUNE 2018 $'000 | EMPLOYEE BENEFITS | ONEROUS CONTRACTS | OTHER | TOTAL |
|---|---|---|---|---|
| Opening balance | 4,696 | 2,289 | 237 | 7,222 |
| Charged to profit and loss | 2,032 | – | – | 2,032 |
| Amounts used during the period | (3,012) | (2,289) | – | (5,301) |
| **Closing balance** | **3,716** | – | **237** | **3,953** |

| YEAR ENDED 30 JUNE 2017 $'000 | EMPLOYEE BENEFITS | ONEROUS CONTRACTS | OTHER | TOTAL |
|---|---|---|---|---|
| Opening balance | 4,305 | – | 237 | 4,542 |
| Charged to profit and loss | 2,577 | 2,289 | – | 4,866 |
| Amounts used during the period | (2,186) | – | – | (2,186) |
| **Closing balance** | **4,696** | **2,289** | **237** | **7,222** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2018

## 15. ISSUED CAPITAL

### (a) Share capital

| | 30 JUN 2018 SHARES | 30 JUN 2017 SHARES | 30 JUN 2018 $'000 | 30 JUN 2017 $'000 |
|---|---|---|---|---|
| Ordinary shares | 161,375,590 | 124,475,221 | 371,334 | 274,040 |

### (b) Movement in share capital

| DATE | DETAILS | NO. OF SHARES | $'000 |
|---|---|---|---|
| 1 July 2017 | Opening balance (i) | 124,475,221 | 274,040 |
| 8 December 2017 | Shares issued – IPO (ii) | 36,900,369 | 96,136 |
| 8 December 2017 | Shares issue costs – net of tax | | 1,158 |
| 30 June 2018 | Closing balance | **161,375,590** | **371,334** |

i ) The application of continuation accounting for the acquisition and consolidation of the Common Controlled Entities results in the opening balances reflecting share capital as if the current Group existed in its current state as at 1 July 2017. There was also no movement in share capital in the comparative period.

ii ) The Company issued 36.9 million new ordinary shares to the market at a price of $2.71.

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

### (c) 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. Refer to Note 22.

### (d) 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.

## 16. RESERVES

| | CONSOLIDATED GROUP | |
|---|---|---|
| | 30 JUN 2018 $'000 | 30 JUN 2017 $'000 |
| Fair value reserve (i) | – | (10,816) |
| Foreign exchange reserve (ii) | (371) | (260) |
| | **(371)** | **(11,076)** |

## 16. RESERVES (CONTINUED)

### (a) Movement in each class of reserve

| | CONSOLIDATED GROUP | |
|---|---|---|
| | 30 JUN 2018 $'000 | 30 JUN 2017 $'000 |
| **Fair value reserve** | | |
| Opening balance at beginning of financial year | (10,816) | (10,816) |
| Transfer to retained earnings | 10,816 | – |
| **Closing balance at end of financial year** | – | **(10,816)** |
| **Foreign exchange reserve** | | |
| Opening balance at beginning of financial year | (260) | (107) |
| Exchange differences on translation of foreign operations | (111) | (153) |
| Closing balance at end of financial year | **(371)** | **(260)** |

### (b) Details of reserves

*(i) Fair Value Reserve*

The fair value reserve records the movements on revaluation of certain financial assets. At 30 June 2018 the Group transferred the balance of the fair value reserve to retained earnings.

*(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(m).

## 17. DIVIDENDS

### (a) Dividends paid

| | CONSOLIDATED GROUP | |
|---|---|---|
| | 30 JUN 2018 $'000 | 30 JUN 2017 $'000 |
| Interim unfranked ordinary dividend of 1.5 cents per share paid during the year | 2,421 | – |

### (b) Dividends proposed

The Directors propose that a final dividend of 3.5 cents per share be declared on 22 August 2018, to be paid on 16 October 2018. The proposed 2018 final dividend will be 100 per cent franked. The financial effect of this dividend has not been brought to account in these consolidated financial statements for the period ended 30 June 2018 and will be recognised in subsequent financial reports.

### (c) Franking credits

The franking account balance available to the shareholders of the Company at year-end is $894,000 (2017: $0). This balance includes adjustments made for franking credits arising from the payment of estimated provision for 2018 income tax, and franking debits arising from payment of the proposed final 2018 dividend detailed in (b).

## 18. EARNINGS PER SHARE

| | CONSOLIDATED GROUP | |
|---|---|---|
| | 30 JUN 2018 $'000 | 30 JUN 2017 $'000 |
| Profit attributable to ordinary shareholders of the Company | 24,807 | 19,023 |
| Weighted average number of ordinary shares (i) | NUMBER OF SHARES | |
| | 145,200,085 | 124,475,221 |
| Basic and diluted earnings per share (cents per share) (ii) (iii) | 17.1 | 15.3 |

i ) The application of continuation accounting includes the total effect of the Common Controlled Entity transactions for the purpose of the comparative earnings per share calculation.

ii ) There were no convertible securities issued during the period.

iii ) Based on the Company's current issued capital of 161,375,590 ordinary shares (same number upon ASX listing), a 'normalised' basic earnings per share of 15.4 cents would have been realised based on the results of the current financial year ended 30 June 2018.

## 19. CASH FLOW INFORMATION

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

| | CONSOLIDATED GROUP | |
|---|---|---|
| | 30 JUN 2018 $'000 | 30 JUN 2017 $'000 |
| Profit after income tax | 24,807 | 19,023 |
| **Non-cash flows in profit** | | |
| Depreciation and amortisation of: | | |
| – Property, plant and equipment | 10,818 | 13,602 |
| – Borrowing costs | – | 390 |
| Impairment of property, plant and equipment | – | 27 |
| Fair value adjustment on derivative instruments | (1,227) | (2,511) |
| Net (gain)/loss on disposal of non-current assets | (521) | (1,961) |
| Asset utilisation fee charged to related parties | (222) | (1,769) |
| Onerous contract expense | – | 2,289 |
| Net (sales)/purchases from other related parties | (132) | (971) |
| **Non-operating cash flows in profit** | | |
| Listing costs expensed | 4,212 | – |
| Effect of taxation on items recognised directly in equity | 1,158 | – |
| **Changes in operating assets and liabilities** | | |
| (Increase)/decrease in trade and other receivables | (15,040) | (5,143) |
| (Increase)/decrease in other assets | 262 | 903 |
| (Increase)/decrease in inventories | (3,933) | 90 |
| Increase/(decrease) in trade and other payables | (67) | 2,319 |
| Increase/(decrease) in income taxes payable | 3,307 | (959) |
| Increase/(decrease) in deferred taxes payable | 1,065 | 1,285 |
| Increase/(decrease) in provisions | (3,270) | 2,680 |
| **Net cash provided by operating activities** | **21,217** | **29,294** |

## 19. CASH FLOW INFORMATION (CONTINUED)

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

| YEAR ENDED 30 JUNE 2018 | HIRE PURCHASE AND CHATTEL MORTGAGES $'000 | FINANCE FACILITY $'000 | DERIVATIVES HELD TO HEDGE BORROWINGS $'000 | TOTAL $'000 |
|---|---|---|---|---|
| Opening balance | 12,859 | 145,321 | 4,472 | 162,652 |
| Cash inflows | – | 6,000 | – | 6,000 |
| Cash outflows | (7,360) | (83,321) | – | (90,681) |
| Non-cash changes | | | | – |
| PPE payments (investing activities) | 9,072 | – | – | 9,072 |
| Interest payments (operating activities) | (715) | – | – | (715) |
| Insurance premium funding | 324 | – | – | 324 |
| Pre IPO transfer to related entities | (1,539) | – | – | (1,539) |
| Fair value change in derivatives | – | – | (824) | (824) |
| **Closing balance** | 12,641 | 68,000 | 3,648 | 84,289 |

## 20. 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).

### (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 | 13 | Income approach using discounted cash flow methodology |

## 20. FAIR VALUE MEASUREMENTS (CONTINUED)

### (c) Recurring fair value measurements

| AS AT 30 JUNE 2018 | NOTE | LEVEL 1 $'000 | LEVEL 2 $'000 | LEVEL 3 $'000 | LEVEL 4 $'000 |
|---|---|---|---|---|---|
| Interest rate swap contracts | 13 | – | (3,648) | – | (3,648) |
| Foreign exchange forward contracts | 13 | – | 473 | – | 473 |
| | | – | (3,175) | – | (3,175) |
| **As at 30 June 2017** | | | | | |
| Interest rate swap contracts | 13 | – | (4,472) | – | (4,472) |
| Foreign exchange forward contracts | 13 | – | 70 | – | 70 |
| | | – | (4,402) | – | (4,402) |

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

## 21. 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.

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. 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. 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 one key customer (2017: two), which accounted for 17 per cent of revenue for the financial year ended 30 June 2018 (2017: 34 per cent). 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.

### 21. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 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.

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.

| | WITHIN 1 YEAR $'000 | 1 TO 5 YEARS $'000 | TOTAL $'000 |
|---|---|---|---|
| **As at 30 June 2018** | | | |
| Trade and other payables | 27,844 | – | 27,844 |
| Derivative financial liabilities | 1,354 | 2,294 | 3,648 |
| Hire purchase and chattel mortgages | 8,061 | 5,184 | 13,245 |
| Finance facility | 6,000 | 62,000 | 68,000 |
| | 43,259 | 69,478 | 112,737 |
| **As at 30 June 2017** | | | |
| Trade and other payables | 27,823 | – | 27,823 |
| Derivative financial liabilities | 2,547 | 1,961 | 4,508 |
| Hire purchase and chattel mortgages | 6,631 | 7,092 | 13,723 |
| Finance facility | 145,321 | – | 145,321 |
| | 182,322 | 9,053 | 191,375 |

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

| | AS AT 30 JUNE 2018 | | AS AT 30 JUNE 2017 | |
|---|---|---|---|---|
| | DRAWN $'000 | AVAILABLE $'000 | DRAWN $'000 | AVAILABLE $'000 |
| Expiring within one year | – | – | 145,321 | 8,715 |
| Expiring beyond one year | 68,000 | 72,000 | – | – |
| | 68,000 | 72,000 | 145,321 | 8,715 |

## 21. FINANCIAL RISK MANAGEMENT (CONTINUED)

(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 2018 100 per cent of Group debt is fixed rate due to outstanding interest rate swaps prior to the IPO not yet matured. While term debt was reduced by funds received from the issue of new shares to the market, the Group made the commercial decision not to terminate the outstanding interest rate swaps. It is the policy of the Group going forward to keep between 50 per cent and 100 per cent of debt on fixed interest rates.

*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 | | |
|---|---|---|---|
| | 30 JUN 2018 $'000 | 30 JUN 2017 $'000 | INTEREST RATES |
| Interest rate swaps | 125,000 | 125,000 | 3.5% to 4.15% |

*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 2018 $'000 | 30 JUN 2017 $'000 |
| +100bp variability in interest rate | 835 | 736 |
| –100bp variability in interest rate | (835) | (736) |

**(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 and purchases are denominated and the respective functional currencies of Group companies. The functional currencies of Group companies is primarily the Australian dollar (AUD), with a minor subsidiary operating in Malaysian ringgit (RM).

*Foreign exchange forward contracts*

At any point in time, the Group hedges 60 per cent to 100 per cent 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 one year from the reporting date. Exposure to currencies of the Groups foreign subsidiaries is collectively immaterial, and so the Group does not hedge against these currencies.

## 21. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

| | NOTIONAL AMOUNTS | | AVERAGE EXCHANGE RATE | |
|---|---|---|---|---|
| BUY USD / SELL AUD | 30 JUN 2018 $'000 | 30 JUN 2017 $'000 | 30 JUN 2018 $ | 30 JUN 2017 $ |
| Settlement within six months | 5,892 | 9,558 | 0.7637 | 0.7610 |
| Settlement between six months to one year | 5,126 | – | 0.7809 | – |
| | 11,018 | 9,558 | 0.7715 | 0.7610 |

*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 2018 $'000 | 30 JUN 2017 $'000 |
| +10% AUD/USD exchange rate | 375 | 431 |
| –10% AUD/USD exchange rate | (375) | (431) |

### (d) Market risk

**(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 2018.

## 22. RELATED PARTY TRANSACTIONS

### (a) Parent entity

Upon the successful IPO of the Group, Wagners Holding Company Limited became the Group's ultimate parent entity. Further information can be found within Note 1(a)(ii) surrounding the Group's previous ultimate parent entity and subsequent changes surrounding the IPO.

### (b) Controlled entities

Interests in controlled entities are set out in Note 23.

### (c) Key Management Personnel (KMP)

Compensation of KMP during the year was as follows:

| | 30 JUN 2018 $ |
|---|---|
| Short-term employee benefits | 1,273,648 |
| Other long-term employee benefits | 14,841 |
| Share based payments | – |
| Termination benefits | – |
| | **1,288,489** |

## 22. RELATED PARTY TRANSACTIONS (CONTINUED)

Prior to listing on the ASX, the companies which form the Consolidated Group consisted of a different organisational structure and line of authority, as such comparative information surrounding KMP has not been included.

Further disclosures relating to KMP compensation are set out in the Remuneration report, that can be found in the Directors' Report.

No loans have been provided to KMP by the Group throughout the financial year.

### (d) Transactions with other related parties

The nature of transactions between the Group and other related parties were reformed as part of the IPO. As such, significant transactions between the Group and other related parties has been categorised as 'Pre IPO' and 'Post IPO' transactions as follows.

**Pre IPO related party transactions**

*Wagner family related entities*

Prior to listing on the ASX, transactions between Group companies and related entities were not all made on the basis of normal trading terms. The previous consolidated group, to which the Company was a party to, received and made payments from a single bank account with management directing funds where required via intercompany loan accounts. These intercompany loan accounts were not recognised as a receivable, rather as a distribution of equity to related parties.

Transactions with related entities of the Wagner family members prior to listing on the ASX, consisted of the following items, reflected in the accounts through 'Pre IPO distributions to related entities':

| DESCRIPTION | BENEFIT/(DEFICIT) |
|---|---|
| Sale of goods and services, conducted on normal trading terms | (3,166,062) |
| Payments for property rent, material royalties and other costs, conducted on normal trading terms | 2,812,461 |
| Payments made on behalf of related entities for such things as materials, contractor services, payroll, and repayment of loans and advances | (44,063,900) |
| Funds received on behalf of related entities for mainly the sale of goods, services and property sales/rent | 15,962,272 |
| Transactions surrounding the group restructure in preparation for listing on the ASX, such as transfer of property, plant and equipment and other assets, assumption of designated liabilities, and share transfers from related entities | (9,069,766) |
| **Distributions to related entities** | **(37,524,995)** |

*Directors and related parties*

Prior to listing on the ASX, Group companies transacted with Directors and their related parties for a variety of reasons. Transactions with Directors and their related parties, excluding any transactions specifically relating to their role as a Director or employee of the Group, prior to listing on the ASX consisted of the following items:

| NAME | DESCRIPTION | AMOUNTS RECEIVED/(PAID) |
|---|---|---|
| Denis Wagner | Sale of materials and services | 101,762 |
| John Wagner | Sale of materials and services | 202,367 |
| Joseph Wagner | Sale of materials and services | 144,921 |
| Neill Wagner | Sale of materials and services | 111,433 |
| Henry Wagner | Sale of materials and services | 4,957 |
| | Payment for property rent | (8,108) |
| Kenneth Wagner | Payment for contractor services | (44,100) |

## 22. RELATED PARTY TRANSACTIONS (CONTINUED)

### (d) Transactions with other related parties (continued)

**Post IPO and subsequent periods related party transactions**

*Wagner family related entities*

Upon listing on the ASX the Group implemented policy and process changes for all dealings with related parties. All transactions between the Group and 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, and any amounts outstanding at 30 June 2018, are detailed as follows:

| DESCRIPTION | AMOUNTS RECEIVED/(PAID) $ | AMOUNTS RECEIVED/(OWING) $ |
|---|---|---|
| Sale of materials and services | 6,997,393 | 1,483,123 |
| Indemnity of losses on onerous contract | 737,851 | – |
| On charge of costs processed by the Group (predominately payroll) | 3,273,447 | – |
| Shared service agreement* | 308,965 | – |
| Payments for property rent, material royalties and other costs | (3,776,020) | (47,384) |

* The Group, as per the prospectus, has a shared service agreement with a related entity for shared resources and employees for a 12 month transition period from the IPO date, or ceasing earlier if agreed upon by both companies. These shared services are 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.

*Directors and related parties*

As above, all dealings between the Group and its Directors and their related parties are conducted at arms length on the basis of normal commercial trading terms and conditions. Such transactions, and any amounts outstanding at 30 June 2018, are detailed as follows:

| NAME | DESCRIPTION | AMOUNTS RECEIVED/(PAID) $ | AMOUNTS RECEIVED/(OWING) $ |
|---|---|---|---|
| Denis Wagner | Amounts Owed/(Owing) | 417 | – |
| John Wagner | Sale of materials and services | 162,200 | 28,555 |
| Joseph Wagner | Sale of materials and services | 54,599 | 11,781 |
| Neill Wagner | Sale of materials and services | 704 | 704 |
| Henry Wagner | Payment for property rent | (8,094) | – |
| Kenneth Wagner | Payment for contractor services | (1,546) | – |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2018

### 23. SUBSIDIARIES AND CONTROLLED ENTITIES

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

| | | EQUITY HOLDING | |
|---|---|---|---|
| NAME OF ENTITY | COUNTRY OF INCORPORATION | 30 JUNE 2018 % | 30 JUNE 2017 % |
| 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 Global Services Panama Inc[1] | Panama | 0% | 100% |
| Wagners Plant and Equipment Ltd[1] | Cyprus | 0% | 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[2] | United States | 100% | 0% |
| Wagners CFT LLC[2] | United States | 100% | 0% |

**Notes:**

1. Subsidiaries were liquidated during the financial year ended 30 June 2018.
2. Subsidiaries were incorporated during the financial year ended 30 June 2018.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2018

### 24. CAPITAL AND LEASING COMMITMENTS

#### (a) Hire purchase and chattel mortgage commitments

Commitments for minimum hire purchase and chattel mortgage payments payable are as follows:

| | CONSOLIDATED GROUP | |
|---|---|---|
| | 30 JUN 2018 $'000 | 30 JUN 2017 $'000 |
| **Minimum payments** | | |
| Within 12 months | 8,061 | 6,631 |
| Between 12 months and five years | 5,184 | 7,092 |
| **Total minimum payments** | **13,245** | **13,723** |
| Less: future finance charges | (604) | (864) |
| **Present value of minimum payments** | **12,641** | **12,859** |
| Current liability | 7,614 | 6,049 |
| Non-current liability | 5,027 | 6,810 |
| | **12,641** | **12,859** |

#### (b) Operating lease commitments

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

| | CONSOLIDATED GROUP | |
|---|---|---|
| | 30 JUN 2018 $'000 | 30 JUN 2017 $'000 |
| Within 12 months | 4,138 | 185 |
| Between 12 months and five years | 15,077 | 1,639 |
| Greater than five years | 111,188 | 28,379 |
| | **130,403** | **30,203** |

The Pinkenba Cement Plant site comprises the majority of operating lease commitments ($118,318,000). It is a non-cancellable lease with a 38 year term and is subject to CPI adjustment annually with a market review every three years.

#### (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 2018 $'000 | 30 JUN 2017 $'000 |
| Within 12 months | 10,562 | 2,616 |

### 25. 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 Groups 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.

### 26. AUDITOR'S REMUNERATION

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

| | CONSOLIDATED GROUP | |
|---|---|---|
| | 30 JUN 2018 $'000 | 30 JUN 2017 $'000 |
| **BDO Audit Pty Ltd and related companies** | | |
| *Audit services* | | |
| Audit and review of financial statements – *BDO Audit Pty Ltd* | 212,715 | – |
| **Total audit services** | **212,715** | – |
| *Non-audit services* | | |
| Due diligence services – *BDO Audit Pty Ltd* | 71,131 | – |
| Taxation services – *BDO (QLD) Pty Ltd* | 8,229 | – |
| **Total non-audit services** | **79,360** | – |
| **Total amount paid or payable to auditors** | **292,075** | – |

Total fees payable to the Group's auditor in the comparative financial year, and prior to the IPO, were borne by the ultimate parent entity in the Group's previous consolidated group. As such, they have not been included.

### 27. PARENT ENTITY FINANCIAL INFORMATION

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

| STATEMENT OF FINANCIAL POSITION | 30 JUN 2018 $'000 | 30 JUN 2017 $'000 |
|---|---|---|
| **Assets** | | |
| Current assets | 313 | – |
| Non-current assets | 336,629 | 282,119 |
| **Total assets** | **336,942** | **282,119** |
| **Liabilities** | | |
| Current liabilities | 9,614 | 2,921 |
| Non-current liabilities | 3,359 | 3,990 |
| **Total liabilities** | **12,973** | **6,911** |
| **Equity** | | |
| Issued capital | 371,334 | 269,599 |
| Distributions to related entities | (196,906) | (141,726) |
| Retained earnings | 149,541 | 147,335 |
| **Total equity** | **323,969** | **275,208** |

## 27. PARENT ENTITY FINANCIAL INFORMATION (CONTINUED)

### a) Hire purchase and chattel mortgage commitments

Commitments for minimum hire purchase and chattel mortgage payments payable for the parent entity are as follows:

| | 30 JUN 2018 $'000 | 30 JUN 2017 $'000 |
|---|---|---|
| **Minimum payments** | | |
| Within 12 months | 6,654 | 3,245 |
| Between 12 months and five years | 3,460 | 4,153 |
| **Total minimum payments** | **10,114** | **7,398** |
| Less: future finance charges | (459) | (487) |
| **Present value of minimum payments** | **9,655** | 6,911 |

### (b) Contingent assets and liabilities

The parent entity does not have any contingent assets or liabilities as at 30 June 2018.

## 28. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the financial year end, the Directors declared a fully franked dividend of 3.5 cents per share as detailed in Note 17(b).

Wagners entered into a contract on 13 July 2018 to purchase an operational quarry in North West Queensland with a contract price of $4 million, and is expected to settle on 31 August 2018.

Other than the above, to the Directors' best knowledge, there has not arisen in the interval between 30 June 2018 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.

# 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 above, are in accordance with the *Corporations Act 2001*, including:

   i ) complying with the Corporations Regulations 2001 and Australian Accounting Standards, 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 2018 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 2018.

**Mr Denis Wagner**
Chairman

Dated at Toowoomba, Queensland on 22 August 2018.

# INDEPENDENT AUDITOR'S REPORT

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Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

## 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 2018, 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 2018 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* (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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BDO

### Continuation accounting

| *Key audit matter* | *How the matter was addressed in our audit* |
|---|---|
| During the 2018 financial year, Wagners Holding Company Limited listed on the ASX. In preparation for this, the group undertook a corporate restructure. The disclosures around the accounting for this are included in note 1 to the financial statements.<br><br>The accounting for the restructure is complex, thus there is a significant risk around the accuracy, disclosures and presentation and therefore represents a key audit matter. | Our procedures included, but were not limited to the following:<br><br>• Enquiring with management as to the method used to account for the restructure<br>• Review the continuation accounting method adopted including engagement of internal experts to provide feedback on the appropriateness of the method applied<br>• Evaluating the detail of assets transferred from the Listed Group to the previous owners and agreed these back to the signed deed of transfer<br>• Reviewed the 30 June 2017 balance sheet and reconciled the amounts to the 30 June 2017 signed listed aggregated audited set of accounts prepared for the IPO<br>• Reviewing the note disclosure made in the financial statements to ensure that the transaction is appropriately disclosed |

### Related party transactions and balances

| *Key audit matter* | *How the matter was addressed in our audit* |
|---|---|
| The Group's disclosures around related party relationships and transactions are included in note 22 to the financial statements. This includes transactions with related parties both pre and post IPO.<br><br>Due to the nature of the group, the level of related party transactions pre-IPO was significant and complex and required significant interaction with management to audit and therefore represents a key audit matter. | Our procedures included, but were not limited to the following:<br><br>• Obtaining a reconciliation of the Pre IPO Distributions to related entities balance and performing procedures to ensure accuracy and completeness of this balance<br>• Enquiring with management as to their processes for identifying related parties and recording transactions with related parties<br>• Assessing management's assertion that the related party transactions were on an arm's length basis by comparing the terms and conditions to transactions with non-related parties |

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# INDEPENDENT AUDITOR'S REPORT

| *Key audit matter* | *How the matter was addressed in our audit* |
|---|---|
| | • Obtaining written confirmation from all key management personnel as to their declaration of interest in any related party relationship and assessed their responses to the information provided by management<br>• Reviewing the note disclosure made in the financial statements to ensure that the related party transactions are appropriately disclosed |

**Other information**

The directors are responsible for the other information. The other information comprises the information contained in Directors' report for the year ended 30 June 2018, 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.

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.

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# INDEPENDENT AUDITOR'S REPORT

**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:

http://www.auasb.gov.au/auditors_responsibilities/ar1.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 17 to 25 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Wagners Holding Company Limited, for the year ended 30 June 2018, 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**

BDO

**C K Henry**
Director

Brisbane, 22 August 2018

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# ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

The information is current as at 31 August 2018 unless stated otherwise.

## DISTRIBUTION OF HOLDINGS (AS AT 31 AUGUST 2018)

| RANGE | TOTAL HOLDERS | SHARES | % SHARES |
|---|---|---|---|
| 1 – 1,000 | 1,272 | 732,852 | 0.45 |
| 1,001 – 5,000 | 3,640 | 10,647,222 | 6.60 |
| 5,001 – 10,000 | 1,211 | 9,105,684 | 5.64 |
| 10,001 – 100,000 | 836 | 18,468,065 | 11.44 |
| 100,001 Over | 46 | 122,421,767 | 75.86 |
| **Rounding** | | | **0.01** |
| **Total** | **7,005** | **161,375,590** | **100.00** |

## SHARES AND VOTING RIGHTS

All 161,375,590 shares in the Company are ordinary shares, held by 7005 shareholders (as at 31 August 2018). Voting rights for ordinary shares are:

» On a show of hands, one vote for each shareholder

» On a poll, one vote for each fully paid ordinary share.

There is no current on-market buy-back.

## SUBSTANTIAL SHAREHOLDERS

The following information is extracted from the Company's Register of Substantial Shareholders as at 31 August 2018.

| NAME | DATE OF LAST NOTICE RECEIVED | NUMBER OF ORDINARY SHARES | % OF ISSUED CAPITAL |
|---|---|---|---|
| Denis Wagner | 15 December 2017 | 88,756,575 | 55% |
| John Wagner | 15 December 2017 | 88,756,575 | 55% |
| Neill Wagner | 15 December 2017 | 88,756,575 | 55% |
| Joe Wagner | 15 December 2017 | 88,756,575 | 55% |
| Bennelong Australian Equity Partners Limited | 7 March 2018 | 12,168, 907 | 7.5407% |
| Wagners Holding Company Limited (relevant interest held due to voluntary escrow arrangements) | 15 December | 88,756,575 | |

## UNMARKETABLE PARCELS

| | MINIMUM PARCEL SIZE | HOLDERS | SHARES |
|---|---|---|---|
| Minimum $ 500.00 parcel at $ 4.4500 per unit | 113 | 33 | 606 |

## ESCROW ARRANGEMENTS

The following shares are subject to voluntary escrow arrangements:

| ESCROWED SECURITIES | ESCROWED UNTIL |
|---|---|
| 88,756,575 | Earlier of 3 business days after release of FY19 full year results and 3 November 2019 |

# ADDITIONAL INFORMATION CONTINUED

## TOP 20 SHAREHOLDERS (AS AT 31 AUGUST 2018)

| RANK | NAME | SHARES | % SHARES |
|---|---|---|---|
| 1 | DENIS PATRICK WAGNER | 21,318,364 | 13.21 |
| 1 | JOHN HENRY WAGNER | 21,318,364 | 13.21 |
| 1 | JOSEPH DOYLE WAGNER | 21,318,364 | 13.21 |
| 1 | NEILL THOMAS WAGNER | 21,318,364 | 13.21 |
| 5 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 15,936,112 | 9.88 |
| 6 | CITICORP NOMINEES PTY LIMITED | 6,142,644 | 3.81 |
| 7 | NATIONAL NOMINEES LIMITED | 2,223,720 | 1.38 |
| 8 | J P MORGAN NOMINEES AUSTRALIA LIMITED | 1,706,849 | 1.06 |
| 9 | DENIS WAGNER INVESTMENTS PTY LTD <DPW FAMILY A/C> | 839,306 | 0.52 |
| 9 | JOHN WAGNER INVESTMENTS PTY LTD <JHW FAMILY A/C> | 839,306 | 0.52 |
| 9 | NEILL WAGNER INVESTMENTS PTY LTD <NTW FAMILY A/C> | 839,306 | 0.52 |
| 12 | BNP PARIBAS NOMS PTY LTD <DRP> | 743,339 | 0.46 |
| 13 | JOE WAGNER INVESTMENTS PTY LTD <JDW FAMILY A/C> | 629,479 | 0.39 |
| 14 | BARRIJAG PTY LIMITED <THE HADLEY FAMILY A/C> | 600,000 | 0.37 |
| 14 | TRUEBELL CAPITAL PTY LTD <TRUEBELL INVESTMENT FUND> | 600,000 | 0.37 |
| 16 | AMP LIFE LIMITED | 544,024 | 0.34 |
| 17 | CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C> | 500,000 | 0.31 |
| 18 | DR DAVID JOHN RITCHIE + DR GILLIAN JOAN RITCHIE <D J RITCHIE SUPER FUND A/C> | 350,000 | 0.22 |
| 19 | HENRY WAGNER INVESTMENTS PTY LTD <HFW FAMILY A/C> | 335,722 | 0.21 |
| 20 | GEAT INCORPORATED <GEAT-PRESERVATION FUND A/C> | 302,105 | 0.19 |
| **Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (Total)** | | **118,405,368** | **73.37** |
| **Total Remaining Holders Balance** | | **42,970,222** | **26.63** |

## BUSINESS OBJECTIVE

In accordance with Listing Rule 4.10.19, Wagners states that is has used the cash and assets in a form readily convertible to cash that it had at the time of admission, in a way consistent with its business objectives as a construction materials and services provider and innovative producer of New Generation Building Materials. Wagners considers that it has used its cash in a consistent manner to which was disclosed under the Prospectus dated 20 November 2017.

# CORPORATE DIRECTORY

### DIRECTORS
Denis Wagner, Non-executive Chairman
John Wagner, Non-executive Director
Peter Crowley, 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
1 Airport Drive, 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

### STOCK EXCHANGE LISTING
Wagners Holding Company Limited
shares are listed on the ASX (code: WGN)

### WEBSITE
www.wagner.com.au

WAGNERS

WAGNERS

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