

Appendix 4E

Under ASX Listing Rule 4.3A

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

Current period	1 July 2017 to 30 June 2018
Prior corresponding period	1 July 2016 to 30 June 2017

Results for announcement to the market	30 Jun 2018 \$'000	30 Jun 2017 \$'000	Change \$'000	Change %
Revenue from ordinary activities	235,396	198,161	37,235	18.8
Net profit after tax from ordinary activities	24,807	19,023	5,784	30.4
Net profit attributable to members	24,807	19,023	5,784	30.4

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

Dividend information	Cents per security	Franking % per security
2018 interim dividend – paid 17 April 2018	1.5	0%
2018 final dividend – declared 22 August 2018	3.5	100%

There were no dividends paid, recommended or declared during the prior corresponding period.

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

2018 Final dividend information

Ex-dividend date	28/8/2018
Record date	29/8/2018
Payment date	16/10/2018

Net tangible assets per security	30 Jun 2018 \$	30 Jun 2017 \$
Net tangible assets per ordinary shares	0.37	(0.18)

Control gained or lost over entities during the year

Refer to Note 1(a)(ii) of the Financial Statements for commentary surrounding IPO Group structure transactions. Additionally, during the current financial year two subsidiaries were incorporated (Wagners USA Holding Company & Wagners CFT LLC) and two subsidiaries were liquidated (Wagners Global Services Panama Inc & Wagners Plant and Equipment Ltd).

Status of audit

The 30 June 2018 financial statements and accompanying notes for Wagners Holding Company Limited have been audited and are not subject to any disputes or qualifications. Refer to pages 76 to 79 of the financial report for a copy of the auditor's report.

This Appendix 4E should be read in conjunction with Wagners Holding Company Limited Financial Report for the year ended 30 June 2018.



Wagners Holding Company Limited

ABN 49 622 632 848

Annual financial report

for the year ended 30 June 2018



Wagners Holding Company Limited

Financial Report

for the year ended 30 June 2018

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Wagners Holding Company Limited

Corporate Directory

30 June 2018

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 Australian and New Zealand Banking Group Limited
Stock exchange listing	Wagners Holding Company Limited shares are listed on the ASX (code: WGN)
Website	www.wagner.com.au



Wagners Holding Company Limited

Directors' Report

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

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

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

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.

Significant changes in the state of affairs (continued)

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 IPO, 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% 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.

Pro forma & 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.

Operating and financial review (continued)

Group financial results (continued)

Pro forma & statutory results (continued)

Table 1: Pro forma and statutory results actual compared to prospectus forecast & 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 & 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:

- Forecast as per Wagners prospectus dated 20 November 2017.
- Statutory results include the performance of all Group entities for the entire 2018 & 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 on page 6. 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)

Pro forma & statutory 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:

- 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).
- 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.
- Adjustment made to reverse the costs associated with the IPO.
- Adjustment to remove gains made on derivative instruments fair values as at 30 June 2018.
- Adjustment made to remove losses associated with assets written off as part of property, plant and equipment review.
- Adjustment made to reflect assets transferred out of Wagners to related entities as part of IPO.
- Adjustment made to reverse one-off gain from writing off creditor in respect to below specification clinker shipment.
- Adjustment made to remove profit on sale of dormant quarry, as this does not form part of Wagners' business post IPO.
- Adjustment made to reflect expected reduced debt structure post listing.
- Adjustment to reflect estimated interest expense as if the New Banking Facilities had been in place since 1 July 2017.
- Adjustment made to reflect a flat 30% tax rate on profit before tax used in prospectus calculations.

Operating and financial review (continued)

Group financial results (continued)

Operating results by segment

Segment (\$'000)	Pro forma FY2018		Pro forma FY2017		Growth	
	Revenue	EBIT	Revenue	EBIT	Revenue	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% 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% 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.

Operating and financial review (continued)

Group financial results (continued)

Financial position

	Consolidated Group		
	30 June 2018	30 June 2017	Change
	\$'000	\$'000	\$'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.

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 FY2019, 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.

Environment regulation

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

Wagners recognises and accepts that proper care of the environment is a fundamental part of its corporate business strategy and concerns for the environment must be integrated into all management programs. Wagners 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 27 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
	<u>79,360</u>

Rounding

The Company is 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 first quarter of the 2019 financial year and 4 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 2 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 receipt of Deutsches Institut für Bautechnik (DIBt) approval for Earth Friendly Concrete (EFC) in Germany in first quarter of 2019 will give EFC approval across Europe and a lot of 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 a staged and measured commercialisation throughout Europe.

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

Information on Directors and Company Secretary

Name	Denis Wagner.
Title	Non-executive Chairman.
Qualifications	FAICD
Experience and expertise	Denis is one of the co-founders of Wagners and has been involved in the business since its inception and has been instrumental in developing Wagners into one of the leading construction materials producers in South East Queensland. Denis brings over 30 years' experience in the construction materials industry and is a Fellow of the Australian Institute of Company Directors.
Other current directorships	None.
Former directorships (last 3 years)	None.
Special responsibilities	Chair of Nomination Committee and Member of Remuneration Committee.
Interests in shares	22,157,670 Ordinary shares.
Interests in options	None.
Interests in rights	None.
Contractual rights to shares	None.

Information on Directors and Company Secretary

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

Information on Directors and Company Secretary (continued)

Name	Lynda O'Grady.
Title	Independent, Non-executive Director.
Qualifications	BCom(Hons), FAICD.
Experience and expertise	Lynda has held Executive/Managing Director roles at Telstra, including Chief of Product. Prior to this Lynda was Commercial Director of Australian Consolidated Press (PBL) and General Manager of Alcatel Australia. She was Chairman of the Aged Care Financing Authority until her retirement effective 30 April 2018 and is a member of the Advisory Board of Jamieson Coote Bonds and Council of Southern Cross University.
Other current directorships	Domino's Pizza Enterprises Limited (ASX: DMP)
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.
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.

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

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

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

Directors' meetings

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 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	-	-	-	-

* 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.

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:

Name	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.

Remuneration report (audited)

2 Remuneration governance (continued)

Wagners has several policies to support a strong governance framework. These policies include a Diversity Policy, Continuous Disclosure Policy 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.

3 Executive remuneration policy and practices

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

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

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

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

(a) Fixed remuneration

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

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

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

Remuneration report (audited)

3 Executive remuneration policy and practices (continued)

(b) Short-term incentive plan

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

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

The Group's 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	<p>100% of STI earned will be payable by way of cash in three equal annual tranches, over two years.</p> <p>Other than in certain circumstances, if the employee ceases employment with the Group, any tranches earned that have not yet been paid will be forfeited.</p>	

Remuneration report (audited)**3 Executive remuneration policy and practices (continued)****(c) Long-term incentive plan**

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

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

Remuneration report (audited)

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

7 Details of remuneration

(a) Performance against STI plan

For the executives 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 & executive KMP remuneration for the year ended 30 June 2018

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

Remuneration report (audited)

(b) Director & executive KMP remuneration for the year ended 30 June 2018 (continued)

<i>In dollars</i>	Short-term				Post-employment	Long term	Share based payments	Total remuneration	Performance related %
	Salary and fees ¹	IPO bonus ²	STI awarded ³	Non-cash benefits	Super-annuation	Long service leave ⁴			
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 KMP's									
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. STI's awarded is 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 & 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.

Remuneration report (audited)

8 Equity instruments held by key management personnel

(a) Ordinary shares

The movement in number of ordinary shares in Wagners Holding Company Limited held directly, indirectly, or beneficially, by each key management person during the 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.

(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 key management personnel and their related parties

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

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

The nature of transactions between the Group and key management personnel and their related parties were reformed as part of the IPO. As such, significant transactions has been categorised as 'Pre IPO' & '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.

Remuneration report (audited)

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

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

Pre IPO related party transactions (continued)

Wagner family related entities (continued)

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 & 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)****(b) Other transactions with key management personnel and their related parties (continued)*****Post IPO & 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 & 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.

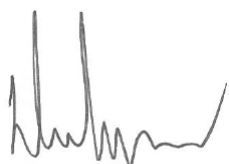
Directors and related parties

As above, all dealings between the Group and its Directors and their related parties are conducted at arm's 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*.

A handwritten signature in black ink, appearing to read "D. Wagner", with a stylized, cursive flourish at the end.

Mr Denis Wagner

Chairman

Dated at Toowoomba, Queensland on 22 August 2018.

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.

A handwritten signature in black ink, appearing to read "C K Henry", written over a light blue horizontal line.

C K Henry
Director

BDO Audit Pty Ltd

Brisbane, 22 August 2018

Wagners Holding Company Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2018

		Consolidated Group	
		30 Jun 2018	30 Jun 2017
	Note	\$'000	\$'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)			
<i>Items that may be reclassified to profit or loss</i>			
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

Wagners Holding Company Limited
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

Wagners Holding Company Limited
Consolidated Statement of Changes in Equity
for the year ended 30 June 2018

	Note	Consolidated Group				Total
		Share capital	Pre IPO distributions to related entities	Reserves	Retained earnings	
		\$'000	\$'000	\$'000	\$'000	\$'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

Wagners Holding Company Limited
Consolidated Statement of Cash Flows
for the year ended 30 June 2018

	Note	Consolidated Group	
		30 Jun 2018 \$'000	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 initial public offering		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



Wagners Holding Company Limited

Notes to the Consolidated Financial Statements

for the year ended 30 June 2018

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.

1 Statement of Significant Accounting Policies (continued)

(a) Basis of preparation (continued)

(ii) Continuation accounting (continued)

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 depreciation 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.

(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.

1 Statement of Significant Accounting Policies (continued)

(b) Principles of consolidation (continued)

Subsidiaries (continued)

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 & 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.

1 Statement of Significant Accounting Policies (continued)

(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.

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.

1 Statement of Significant Accounting Policies (continued)

(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 & 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 & 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 & buildings	5 – 30 years
Plant and equipment	2 – 30 years
Motor vehicles	4 – 15 years

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

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

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

(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.

1 Statement of Significant Accounting Policies (continued)

(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 key management personnel 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.

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.

1 Statement of Significant Accounting Policies (continued)

(j) Financial instruments (continued)

(i) Financial assets (continued)

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.

1 Statement of Significant Accounting Policies (continued)

(j) Financial instruments (continued)

(ii) Financial liabilities (continued)

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.

(iii) Derivative financial instruments

The Group uses derivative financial instruments (interest rate swaps & 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 & 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 asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units).

1 Statement of Significant Accounting Policies (continued)

(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.

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.

1 Statement of Significant Accounting Policies (continued)

(m) Foreign currency transactions and balances (continued)

(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 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.

1 Statement of Significant Accounting Policies (continued)

(n) Employee benefits (continued)

(iii) Retirement benefit obligations

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

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

(iv) Termination benefits

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

(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.

1 Statement of Significant Accounting Policies (continued)

(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.

1 Statement of Significant Accounting Policies (continued)

(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).

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 <i>Financial Instruments</i>
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	<p>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.</p> <p>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 <i>Financial Instruments: Recognition and Measurement</i> and have not been changed.</p>

1 Statement of Significant Accounting Policies (continued)

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

Title of standard	AASB 9 <i>Financial Instruments</i> (continued)
Impact (continued)	<p>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.</p> <p>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 <i>Revenue from Contracts with Customers</i>, 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.</p> <p>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.</p>
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.
Title of standard	AASB 15 <i>Revenue from Contracts with Customers</i>
Nature of change	<p>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.</p> <p>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.</p> <p>The standard permits either a full retrospective or a modified retrospective approach for the adoption.</p>
Impact	<p>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:</p> <ul style="list-style-type: none"> - 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.

1 Statement of Significant Accounting Policies (continued)

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

Title of standard	AASB 15 <i>Revenue from Contracts with Customers</i> (continued)
Impact (continued)	<ul style="list-style-type: none"> - 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 <i>Construction Contracts</i>. 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. - 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. <p>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.</p>
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 <i>Leases</i>
Nature of change	<p>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.</p> <p>The accounting for lessors will not significantly change.</p>
Impact	<p>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.</p> <p>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.</p>
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.

2 Segment Reporting

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

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

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

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

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

Reconciliations of reportable segment revenues & profit or loss

	CMS \$'000	NGBM \$'000	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 & 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

2 Segment Reporting (continued)

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

	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 & 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

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% of external revenue (2017: 34%).

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 & 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 & hire received	222	1,769
Other income	372	371
	3,866	5,509
Total revenue & 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	30 Jun 2017
	\$'000	\$'000
<i>Rental expense relating to operating leases</i>		
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.

(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	30 Jun 2017
	\$'000	\$'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

The components of tax expense comprise:

Current tax	
Deferred tax	
Adjustments in respect of prior periods	

Consolidated Group	
30 Jun 2018	30 Jun 2017
\$'000	\$'000
3,315	6,906
2,411	1,281
(198)	(8)
5,528	8,179

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

Profit from continuing activities before income tax expense

Prima facie tax payable using the Australian tax rate of 30% (2017: 30%)

Adjusted for:

Taxable items assessed under prior tax consolidated group*	
Difference between Australian and overseas tax rates	
Other net non-deductible/(non-assessable) items	
Under/(over) provision from prior years	

Income tax expense

Consolidated Group	
30 Jun 2018	30 Jun 2017
\$'000	\$'000
30,335	27,202
9,101	8,161
(3,220)	(103)
5	2
(361)	127
3	(8)
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.

(c) Tax amounts recognised directly in equity

The following deferred tax amounts were (charged)/credited directly to equity during the year in respect of:

Net exchange difference taken to equity	
Listing costs attributed to share capital	

Recognised in comprehensive income

Consolidated Group	
30 Jun 2018	30 Jun 2017
\$'000	\$'000
-	(10)
1,158	-
1,158	(10)

6 Cash and cash equivalents

Cash on hand	
Cash at bank	

Consolidated Group	
30 Jun 2018	30 Jun 2017
\$'000	\$'000
6	22
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

(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 & equipment

	Consolidated Group	
	30 Jun 2018 \$'000	30 Jun 2017 \$'000
Land & buildings		
Land improvements & buildings - at cost	18,749	17,252
Less accumulated depreciation	(3,727)	(3,136)
	15,022	14,116
Plant & equipment		
Plant & 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 & equipment	111,807	119,554

(a) Movements in carrying amounts

Year ended 30 June 2018 \$'000	Land & buildings	Plant & 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

9 Property, plant & equipment (continued)

(a) Movements in carrying amounts (continued)

Year ended 30 June 2017 \$'000	Land & buildings	Plant & 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:

\$'000	Assets		Liabilities		Net assets/(liabilities)	
	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 & 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 \$'000	Opening balance	Charged to income	Charged to equity	Exchange differences	Closing balance
Inventories	(309)	(31)	-	-	(340)
Property, plant & 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 \$'000	Opening balance	Charged to income	Charged to equity	Exchange differences	Closing balance
Inventories	(276)	(33)	-	-	(309)
Property, plant & 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 \$'000	30 Jun 2017 \$'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.

12 Borrowings

		Consolidated Group	
		30 Jun 2018	30 Jun 2017
		\$'000	\$'000
Current			
<i>Secured liabilities</i>			
Finance facility		6,000	145,321
Hire purchase and chattel mortgages		7,614	6,049
		13,614	151,370
Non-current			
<i>Secured liabilities</i>			
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 mortgages (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 3 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	
		Current	Non-current	Current	Non-current
		\$'000	\$'000	\$'000	\$'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

14 Provisions (continued)

(c) Movements in provisions (continued)

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

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	99,998
8 December 2017	Shares issue costs - net of tax		(2,704)
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)

(a) Movement in each class of reserve

	Consolidated Group	
	30 Jun 2018 \$'000	30 Jun 2017 \$'000
<i>Fair value reserve</i>		
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)
<i>Foreign exchange reserve</i>		
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	-

17 Dividends (continued)

(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% 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
	Number of shares	
Weighted average number of ordinary shares (i)	145,200,085	124,475,221
Basic & 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 & equipment	10,818	13,602
- Borrowing costs	-	390
Impairment of property, plant & 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

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

	Hire purchase & chattel mortgages \$'000	Finance facility \$'000	Derivatives held to hedge borrowings \$'000	Total \$'000
Year ended 30 June 2018				
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.

(c) Recurring fair value measurements

	Note	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
As at 30 June 2018					
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% of revenue for the financial year ended 30 June 2018 (2017: 34%). 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% 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% and 100% 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		Interest rates
	30 Jun 2018 \$'000	30 Jun 2017 \$'000	
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)

21 Financial risk management (continued)

(c) Market risk

(ii) Foreign exchange risk

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

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

Foreign exchange forward contracts

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

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

	Notional amounts		Average exchange rate	
	30 Jun 2018 \$'000	30 Jun 2017 \$'000	30 Jun 2018 \$	30 Jun 2017 \$
Buy USD / sell AUD				
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)

21 Financial risk management (continued)**(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

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

	30 Jun 2018 \$'000
Short-term employee benefits	1,273,648
Other long-term employee benefits	14,841
Share based payments	-
Termination benefits	-
	1,288,489

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 key management personnel has not been included.

Further disclosures relating to key management personnel compensation are set out in the Remuneration report, that can be found on pages 17 to 25 of the Directors' Report.

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

22 Related party transactions (continued)

(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' & '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 & 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 & 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 Owed/(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 & 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 arm's 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 Owed/(Owing) \$
Denis Wagner	Sale of materials and services	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)	-

23 Subsidiaries and controlled entities

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

Name of entity	Country of incorporation	Equity holding	
		30 June 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%

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

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

24 Capital and leasing commitments

(a) Hire purchase & 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 twelve months	8,061	6,631
Between twelve 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 twelve months	4,138	185
Between twelve 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 3 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 twelve 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	30 Jun 2017
BDO Audit Pty Ltd & related companies		
<i>Audit services</i>		
Audit and review of financial statements - <i>BDO Audit Pty Ltd</i>	212,715	-
Total audit services	212,715	-
<i>Non-audit services</i>		
Due diligence services - <i>BDO Audit Pty Ltd</i>	71,131	-
Taxation services - <i>BDO (QLD) Pty Ltd</i>	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 and has been prepared in accordance with Australian Accounting Standards.

	30 Jun 2018 \$'000	30 Jun 2017 \$'000
Statement of financial position		
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
Statement of profit or loss and other comprehensive income		
Total profit for the financial year	(5,086)	(302)
Total comprehensive income for the financial year	(5,086)	(302)

(a) Hire purchase & chattel mortgage commitments

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

	30 Jun 2018 \$'000	30 Jun 2017 \$'000
Minimum payments		
Within twelve months	6,654	3,245
Between twelve 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.

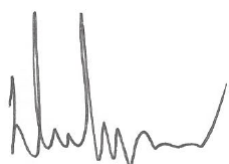
Other than the above, to the Directors' best knowledge, there has not arisen in the interval between 30 June 2018 and the date of this report any item, any other transaction or event of a material and unusual nature that will, or may, significantly affect the operations of the Group.

Wagners Holding Company Limited

Directors' declaration

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

- (a) the consolidated financial statements and notes, as set out on pages 76 to 79, 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.

A handwritten signature in black ink, appearing to read "Mr Denis Wagner", with a stylized, cursive-like script.

Mr Denis Wagner

Chairman

Dated at Toowoomba, Queensland on 22 August 2018.

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.

Continuation accounting

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>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.</p> <p>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.</p>	<p>Our procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> • Enquiring with management as to the method used to account for the restructure • Review the continuation accounting method adopted including engagement of internal experts to provide feedback on the appropriateness of the method applied • Evaluating the detail of assets transferred from the Listed Group to the previous owners and agreed these back to the signed deed of transfer • 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 • Reviewing the note disclosure made in the financial statements to ensure that the transaction is appropriately disclosed

Related party transactions and balances

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>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.</p> <p>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.</p>	<p>Our procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> • Obtaining a reconciliation of the Pre IPO Distributions to related entities balance and performing procedures to ensure accuracy and completeness of this balance • Enquiring with management as to their processes for identifying related parties and recording transactions with related parties • 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

Key audit matter	How the matter was addressed in our audit
	<ul style="list-style-type: none"> • 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 • 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.

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



C K Henry
Director

Brisbane, 22 August 2018