WAGNERS

ACHIEVING RESULTS WITH A GLOBAL, INTEGRATED BUSINESS

ANNUAL REPORT 2019

TAKING OUR VISION AND EXPERTISE TO THE WORLD

CONTENTS

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

This annual report gives an overview of Wagners' business activities and financial results for FY19. It also includes background to the current business environment in our sector and explains our ongoing strategies for the future. It is designed to inform our shareholders and other stakeholders who are interested in the company's policies, achievements and corporate responsibility.

OUR GUIDING PRINCIPLES

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

I — DEAL WITH **INTEGRITY**

T — WORK **TOGETHER** TO OVERCOME CHALLENGES

S — WORK IN A **SAFE** ENVIRONMENT

F — BE **FAMILY** CONSCIOUS

A — ENCOURAGE AND **ACKNOWLEDGE** SUCCESS

I — FOSTER **INNOVATION**

R — **REQUIRE** QUALITY AND EXCELLENCE

ABOUT WAGNERS

Wagners is a leading producer of construction materials and services for both Australian and international markets. The company was established in 1989 in Toowoomba, Queensland and is now an ASX-listed business.

Our Construction Materials and Services (CMS) include cement, concrete, aggregates, bulk haulage services, precast concrete components and reinforcing steel. We support projects with our own engineering and maintenance workshop. As we look to the future, our New Generation Building Materials (NGBM) are creating higher-performing, more sustainable materials that reduce the impact on the environment.

We are strategic, innovative and entrepreneurial in our approach to business.

Our 'Guiding Principles' underpin everything we do. They push us to strive for intrepid progress to achieve beneficial outcomes for all of our stakeholders – our people, our customers, our community and our shareholders.

Regardless of where in the world we are working on projects, we will never compromise on our commitment to the community and to safety.

VALUE DRIVERS

- Skilled team with invaluable, practical experience
- Integrated supply chain for reliability and competitive pricing
- Agility and responsiveness
- Lean manufacturing and continuing process improvement
- Reputation for quality and meeting deadlines
- Great relationships with customers and suppliers
- Strong marketing with clear differentiators
- Innovative products that better meet market needs

BUSINESS STRENGTHS

- Vertically integrated business with control of materials supply chain, transportation and fabrication
- Capital investment in strategic growth and new and upgraded facilities
- Our people – committed, skilled teams with shared culture founded on our Guiding Principles
- Sustainable approach to finance, community and environment with well-developed control mechanisms
- Diverse domestic and international market opportunities – in infrastructure, mining and consumer products
- Innovative and earth-friendly products – Earth Friendly Concrete® (EFC®) is a potential world leader once all certifications are achieved
- Our own research laboratory and development facilities

BUSINESS DEPENDENCIES

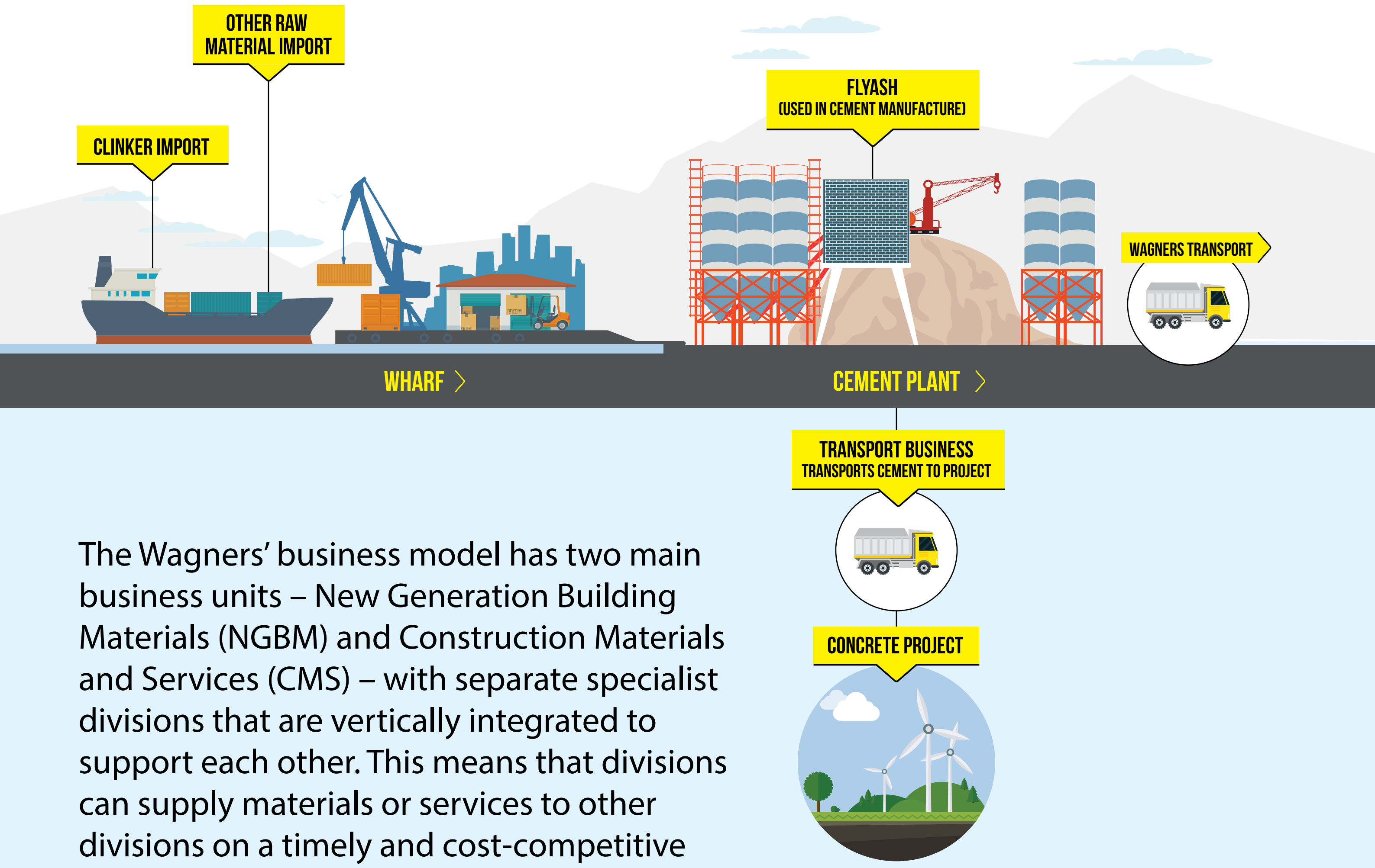
EXTERNAL

- Supply chain inputs and costs
- Suitable domestic and global infrastructure projects
- International demand for our NGBM products
- Exchange rates
- Environmental legislation and community expectations to support demand for NGBM products
- Building code reform and international certification for EFC®

INTERNAL

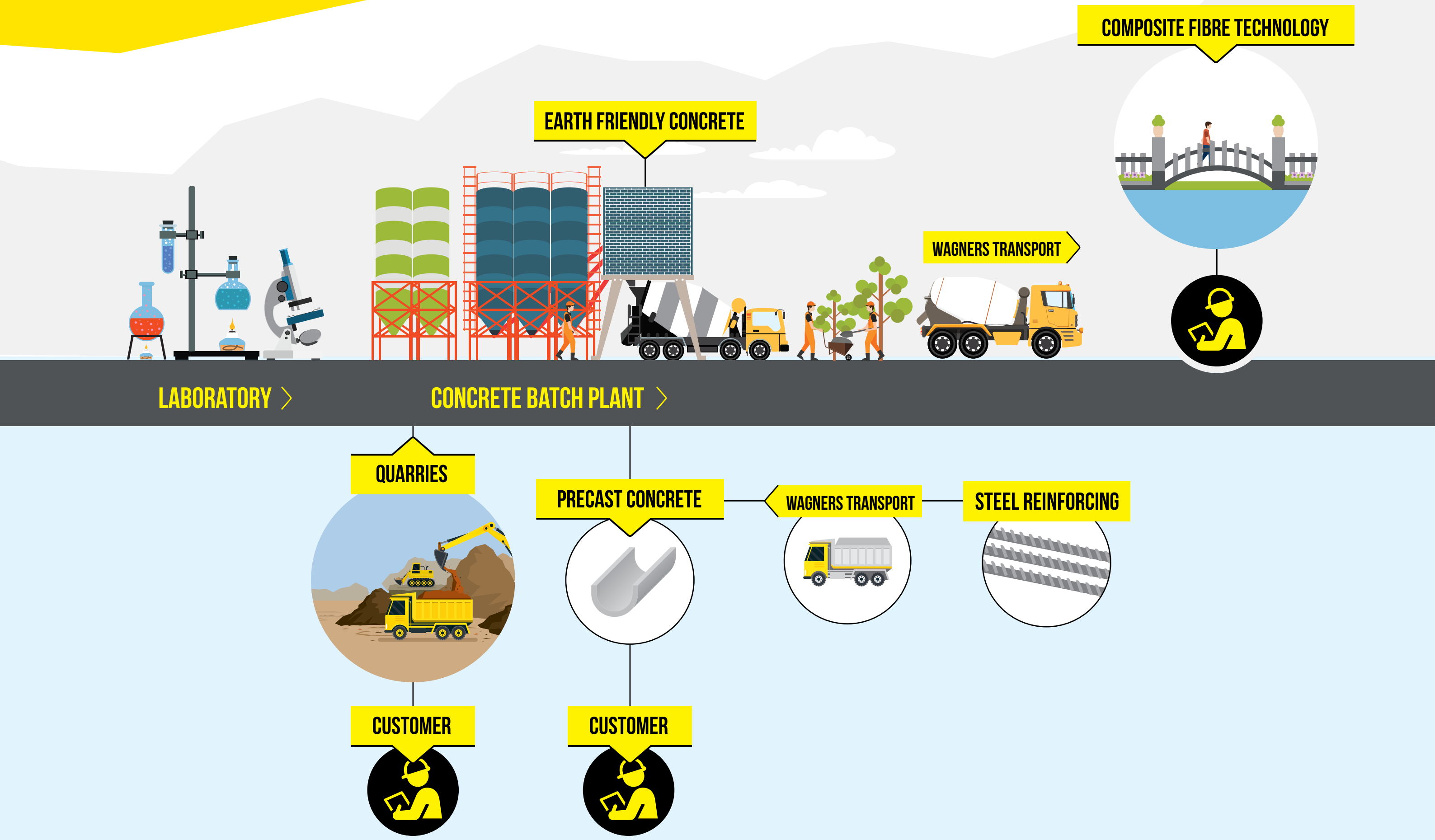
- Skilled, flexible workforce, domestically and internationally
- Protection and enhancement of business knowledge
- Research and development in all aspects of business
- Costs of production to remain competitive
- Safety, quality and environmental controls
- Ability to leverage and sustain infrastructure/ mining development cycles
- Workforce culture and commitment to Guiding Principles
- Reputation – quality, safety, environmental responsibility, good corporate citizen
- Policies and structures to support great customer and supplier relationships
- Capital investment
- High corporate and financial governance standards

OUR BUSINESS MODEL



The Wagners' business model has two main business units – New Generation Building Materials (NGBM) and Construction Materials and Services (CMS) – with separate specialist divisions that are vertically integrated to support each other. This means that divisions can supply materials or services to other divisions on a timely and cost-competitive basis. With external and internal customers, a shared culture and strong cooperation, the business units are better able to control outcomes and manage fluctuations in the market.

"THE INTEGRATION OF OUR DIFFERENT BUSINESS DIVISIONS AND CAPABILITIES IS ONE OF WAGNERS' DISTINCTIVE COMPETITIVE STRENGTHS."



INTEGRATION – A WIN-WIN FOR CUSTOMERS AND WAGNERS

The integration of Wagners' different business divisions is one of our distinctive competitive strengths.

As each area of the business directly feeds into the next, we can achieve the most competitive prices for our customers, control quality and guarantee delivery. The expertise across the business can be combined to give comprehensive end-to-end advice. Control of the supply chain also ensures we have the agility and flexibility to respond to changing needs.

A project such as the Coopers Gap Wind Farm, completed in early 2019, was a typical example of the Wagners' divisions working as one to give seamless service and deliver on time. On this project, the concrete team was supported by our Administration, Workshop, Transport, Quarry and Cement divisions. At Coopers Gap, on-site facilities included four silos and 12 Wagners' agitator trucks ensuring delivery to each of the 123 turbine foundations was an efficient and consistent process.

Customers can also take advantage of our steel supplies, precast facilities and the New Generation Building Materials.

The expansion of our ready-mix concrete business in South-East Queensland also took advantage of our vertical integration. The concrete plants were constructed in-house by our Workshop, which fabricates the infrastructure, then the materials for our concrete are sourced from our quarries and cement businesses, and transported by our own transport division.

Although each division has its unique expertise and individual goals, all are united by a shared culture and Wagners' Guiding Principles. Above all, they are united in achieving the best outcomes for the customers and our shareholders.

OUR STRATEGIC FOCUS 2019-21

Wagners has planned its growth and strategies to ensure good financial, human and environmental outcomes.

This concise overview of our strategy shows some of the main areas of focus.

REVENUE SOURCE AND SUPPORT FUNCTIONS	FOCUS AND PRIORITIES
GLOBAL CONSTRUCTION CUSTOMERS	» Continue to work on business development opportunities that have been identified » Continue to pursue and execute major infrastructure project work offshore
AUSTRALIAN INFRASTRUCTURE, RESOURCE AND CONSTRUCTION MARKET	» Grow sales in all divisions through our dedicated business development teams » Target resource sector revenue growth through onsite concrete batch plants, contract crushing and transport business
NEW GENERATION BUILDING MATERIAL MARKETS	» New product development and innovation » Continue focus on off-shore manufacturing and export markets for Composite Fibre Technologies (CFT) » Establish USA manufacturing plant for CFT » Invest in environmental credentials for EFC® (scientific proof of performance vs traditional product) » Achieve sales growth for EFC® in project work and domestic markets » Provide capacity for all new concrete plants to supply traditional and EFC® concrete
INTEGRATED SUPPLY CHAIN	» Target opportunities for growth and acquisition that enhance vertical integration or new geographic region
SKILLS AND EXPERTISE	» Continue to invest in staff development, through relevant training and development activities
MARKETING, BRAND REPUTATION	» Wagners brand upgrade » NGBM targeted marketing campaigns
CAPITAL INVESTMENT	» Continue roll-out of South-East Queensland Concrete Strategy » Product development and innovation » Investment in CFT pultrusion capacity and productivity
CUSTOMER AND SUPPLIER RELATIONSHIPS	» Increased resources in sales team » Routine supplier meetings

MAIN DEPENDENCIES/KEY SUCCESS FACTORS	FINANCIAL TARGET OR OTHER MEASURE
» The project start dates of the opportunities » Successful negotiation of appropriate commercial terms	» Increase in revenue achieved from offshore operations » Increased bid activity through additional business development resources
» Government infrastructure projects » Buoyant resource commodity demand » Continued innovation in plant, equipment and processes to reduce costs to customers and increase margin to Wagners	» Increase turnover » Increase profitability » Make savings through operational efficiencies
» Continued social demand for environmentally friendly construction materials » Continued innovation in plant, equipment and processes to reduce costs to customers and increase margin to Wagners » Successful deployment of a composite fibre pultrusion machine in the USA	» CFT manufacturing facility established and servicing market » Increased international demand for cross-arms » EFC® – revenue generated from international markets » EFC® – increased demand for product throughout Australia
» Successful delivery of the South-East Queensland Concrete Strategy	» Increased concrete sales delivering value to all upstream business units
» People » Safety » Training	» Increased staff retention statistics » Best possible safety performance » Productivity and process enhancements
» Community education on benefits of our products compared to traditional materials	» Increase in structures sold » Increased tendering activity » Increased revenue
» Product demand in South-East Queensland » Timely completion of new automated cross-arm manufacturing cell » New range of products (e.g. poles) available to customers	» Increased concrete sales » Lower cost of cross-arm production from our Toowoomba facility » Increased revenue from new product lines
» Deliver quality product at the best value » Inform suppliers of our needs and ensure they can meet them at the best possible value	» Increased customer base through quality products that represent best value » Positive customer feedback metrics and Net Promoter Scores

FY19 KEY FACTS & FIGURES

Group revenue

$239.8 MILLION

REPRESENTS A 6.5% INCREASE

Transport revenue

200% INCREASE

Countries worked in

6

Employee numbers

567

Lost time injuries

0

Tonnes hauled

10.5 MILLION

CFT pultrusion

379,000 METRES

Record cross-arm sales

3.5% INCREASE

Bagged cement

29% INCREASE

PROGRESS ON OUR PROMISES

WHAT WE PROMISED IN FY18

- EXPAND PRE-MIX CONCRETE IN SOUTH-EAST QUEENSLAND (SEQ)
- ACQUIRE QUARRIES
- PURSUE END-TO-END OPPORTUNITIES
- EXPAND HAULAGE
- EXPAND CFT BUSINESS GLOBALLY
- CONTINUE TO DEVELOP EFC® TECHNOLOGY
- SECURE EFC® OPPORTUNITIES IN GERMANY, SINGAPORE AND NZ
- ACHIEVE STANDARDS CERTIFICATION AND BENCHMARKING (NGBM PRODUCTS)
- GROW PRODUCTION CAPACITY FOR NEW GENERATION PRODUCTS
- FOSTER INNOVATION
- DRIVE EFFICIENCIES
- GROW MARKET LEADERSHIP

WHAT WE ACHIEVED IN FY19

- Four batch plants now operating in SEQ

- Six quarry sites now secured

- Completed large wind farm project
- Continued execution of SEQ Concrete Strategy

- Haulage revenue increased by more than 200%
- Additional $9m capital invested in nine new truck and quad road train trailing combinations
- Expanded haulage presence in the Bowen Basin

- Projects secured in US, NZ, UK, Canada, UAE
- US-based sales team established
- Site identification process underway for US manufacturing facility

- European and Indian standards approval progressed
- Established dedicated EFC® Research & Development (R&D) headquarters in Brisbane
- All new concrete batch plants constructed have built-in EFC® capability
- EFC® has been specified for a sewer project in NZ

- A number of international projects are in the pipeline
- Railway sleepers cast in Germany

- Continued investment in Research and Development in both product development and operational efficiencies

- Increased our production capacity 40%
- Invested in new automated cross-arm manufacturing cell – design complete and cell will be commissioned in FY20

- R&D laboratory in Brisbane complete

- Workshop and CFT joined Best Practice Network to trial improvements
- Government grants used for lean manufacturing initiatives

- Record cross-arm sales of 100,000+

CHAIRMAN'S LETTER

To all shareholders of Wagners Holding Company Limited (WGN)

I am pleased to write to you about our first full year of operations as a publicly listed entity. This year has been challenging in many respects, however, we have also achieved some significant milestones in some of our operations.

Our financial results were in line with the guidance we provided to the market in March. While they did not meet our initial expectations, the result was largely driven by decisions we took to protect the long-term opportunities and profitability of the business.

While we paid an interim dividend of 2.2 cents per share in February, the Board decided not to declare a final dividend.

We have been successful in broadening our sales networks and representation in the United States, New Zealand and Europe, which has resulted in winning work for our New Generation Building Materials (NGBM) division in these markets.

We saw a significant slowdown in actual infrastructure spending in our markets in Queensland for this year, however, the indications are this will increase significantly in FY21. Our work in the mining sector is growing rapidly and we expect this to continue for another three years and beyond.

The construction materials sector is under some pressure in South-East Queensland, driven mainly by the short-sighted strategies of some industry players. While this creates some short-term challenges for us, it also provides the opportunity to expand the geographical area in which we can competitively deliver our products. We have now established supply lines into the Sydney market for some cement products and we expect this to grow in the future. Our history of meeting challenges head on, adapting to changing market conditions and finding opportunities from industry disruption has strengthened our resolve to ensure the decisions we make are in the best long-term interests of the company.

Our contractual dispute with Boral over our long-term take-or-pay Cement Supply Agreement has encouraged us to broaden our perspective on all the markets we participate in. We intend to continue to expand our concrete plant network to ensure we have more control over the downstream use of our cement, flyash and quarry products. We have invested in quarry reserves to cater for this growth and, as mentioned previously, our geographical footprint will expand further. During the year, we completed construction and commissioned the wharf at the Pinkenba site, which will give us better access to sea-faring vessels for both incoming and outgoing cargo. This will allow us to take advantage of opportunities to penetrate markets using delivery methods other than our usual road transport.

The NGBM division has grown strongly through this year and has become established in new offshore markets. This division has also grown strongly in Australia in our traditional cross-arm and pedestrian bridge markets. Our team is continually looking for and developing more efficient production and design methods, the benefits of which we will see in the coming year. We have ramped up our expansion in the USA and expect this market will be much larger for us than our Australian market in the near future. We have made some exciting progress with our Earth Friendly Concrete® as it has been specified for use in a wastewater project in New Zealand.

I would like to acknowledge the efforts of the executive management team and the Board of the company in the past 12 months. There have been some challenging issues throughout this year and the commitment shown by our Board, management and staff will position us to be a much stronger, diversified and nimble business in the future.

Regards

Denis Wagner
Chairman

"WE HAVE RAMPED UP OUR EXPANSION IN THE USA AND EXPECT THIS MARKET WILL BE MUCH LARGER FOR US THAN OUR AUSTRALIAN MARKET IN THE NEAR FUTURE."

CEO'S REPORT

Wagners is now in its 30th year of operations and it is our second year since listing on the ASX.

This annual report highlights our achievements throughout the year across both our Construction Materials and Services (CMS) business and our New Generation Building Materials (NGBM) business.

There is an innovative and entrepreneurial spirit across the business that positions us well for our continued growth through global expansion and the execution of major projects.

FINANCIAL RESULTS

The business achieved pro forma earnings before interest and taxes (EBIT) of $25.6 million.

We saw an overall growth increase in our CMS business driven by significant growth in our bulk transport haulage business, particularly through increased revenue associated with the resources sector. This growth is despite the reduction in cement sales due to a pricing dispute with Boral, a major contracted cement customer, which led us to suspend supply and initiate legal action. The full details of this dispute were published in ASX releases in March and April 2019.

Our NGBM business achieved a revenue result of $29.3 million, consistent with last year's results. Although we invested significant funds in the global expansion of our NGBM business across the USA, our team managed to deliver an EBIT result of $1.8 million.

We saw an overall increase in our CMS business driven by significant growth in our bulk transport haulage business. This year, capital expenditure has included:

» acquiring an operational quarry in North Queensland, which has already delivered results ahead of expectations
» manufacture of new pultrusion machines, allowing us to increase capacity of our Composite Fibre Technologies (CFT) production both from our Toowoomba manufacturing facility and our future USA facility
» commissioning the construction of a CFT cross-arm manufacturing cell, which will provide significant production efficiencies for the NGBM business once it is fully commissioned
» purchasing concrete plant infrastructure and agitator trucks to support growth in our concrete business, which also delivers value through vertical integration benefits to our other businesses.

SIGNIFICANT ACHIEVEMENTS FY19

Some of our key achievements during the year included:

Global expansion of our NGBM business
We delivered CFT projects in the USA, Abu Dhabi, UK, Canada and New Zealand. We are in the final stages of securing premises in the USA to establish our manufacturing facility, enabling us to manufacture and deliver to the US and nearby markets more cost-effectively.

EFC® trials and progress
We have been specified for a wastewater infrastructure project in New Zealand using our Earth Friendly Concrete® (EFC®), which provides us with a great platform to showcase the benefit of our product internationally. We also continued to develop relationships with international partners and continued product trials with EFC®. This will ensure we are in a strong position to execute opportunities in the global market, particularly in India and throughout Europe, once we have relevant approvals.

Record CFT cross-arm sales
Our cross-arms are now being distributed to electricity networks in all states and territories across Australia and New Zealand, and trials are currently underway in the Philippines and the UK. We continued to invest in our CFT sales force, which will help boost further uptake of our products in new markets.

Increased revenue from resource sector
It has been pleasing to see the resurgence of this sector, which presents ongoing opportunities for our business into the future. It also demonstrates we can achieve results in complex environments. Our ability to overcome challenges, such as attracting and retaining staff and achieving high asset utilisation in a remote location, gives us a strong competitive advantage.

Concrete strategy achievements
Our South-East Queensland Concrete Strategy is now well advanced towards its objective of building a concrete plant network to supply pre-mixed concrete to the region. We have four operational concrete plants with a further two under construction by our in-house teams. These plants will add important value to our upstream businesses using a high volume of our cement, flyash and aggregates.

"OUR RESPONSIBLE CAPITAL INVESTMENT DURING THE YEAR UNDERPINNED OUR ABILITY TO DELIVER OUR FUTURE GROWTH EXPECTATIONS FOR THE BUSINESS."

SHORT-TERM CHALLENGES, LONG-TERM PERSPECTIVE

While FY19 has been a challenging year for some areas of our CMS business, the resilience of our teams and their ability to adapt the way we do things to ensure the best possible commercial outcomes has been excellent.

The lack of large projects and infrastructure work in the Queensland market and the delayed commencement of several major projects have affected this year's financial performance. These opportunities are still in the pipeline and we are confident we will be in a good position once they start flowing again.

Challenges are not new to our business, and our focused team are determined to overcome them and move forward to secure other exciting growth opportunities. We continue to take inspiration from our Guiding Principles and "we strive for intrepid progress to achieve beneficial outcomes".

FUTURE OUTLOOK

Wagners continues to keep its sights on being the market leader in providing innovative construction materials and services.

The investment we have made over the past year in our CFT international sales team and in establishing a manufacturing centre in the USA is already delivering orders and positioning us to meet expanding global demand for this product.

A new automated cross-arm manufacturing cell designed by our CFT research and development team will make our manufacturing process leaner, allowing us to be competitive in new regions.

Our EFC® technology is meeting the growing demand for more environmentally responsible products. The new concrete plant network in South-East Queensland can batch and supply EFC® to all customers in this region. We expect growing demand for this product.

A major focus of the period ahead will be to continue to grow the underlying construction materials business, including commissioning new concrete plants. We see this as a critical success factor given the additional competition entering the South-East Queensland cement market. There are also international project opportunities that could add significant value to our earnings. Our continued business development efforts in this area have placed us well to be successful in winning some of these opportunities.

Finally, the resurging resource sector will present opportunities for both our construction materials and transport businesses and we will ensure we identify every suitable possibility.

IT TAKES A TEAM

In last year's report, I said that, at Wagners, we have a reputation for doing what we say we are going to do. This has proven to be the case again this year. We have always taken a long-term view in this business. At times, the decisions we make are difficult but they are critical to the long-term value we are building.

It is our people who make this business so successful and I am grateful for the strong work ethic and dedication of everyone across this business.

Thank you also to the Board of Directors for their continued guidance and support throughout the year.

Cameron Coleman
Chief Executive Officer

BUSINESS ENVIRONMENT

While major domestic infrastructure projects have been slow to get off the ground this financial year, we have been able to nurture global opportunities and capitalise on the growing interest in our New Generation Building Materials (NGBM). Our careful preparation, clear integration strategies, skilled teams and world-leading products have positioned us well for the opportunities in the year ahead.

OPPORTUNITIES

While our NGBM business has the greatest growth opportunities, there is still a strong demand for traditional construction materials and services across a variety of industry sectors. The demand is not only domestic but also in international markets, which we are now well positioned to service.

While we have already achieved a significant market share in a number of these markets, there are many further opportunities to grow both our Construction Materials and Services (CMS) business and NGBM business. These opportunities include:

- US opportunities for our Composite Fibre Technologies (CFT) products when our US-based manufacturing facility is operational (expected in FY20)
- global opportunities for our CFT products – with increasing demand for cross-arms and significant interest for use in short-span road bridges and pedestrian infrastructure
- geographical expansion of our cement market
- bulk haulage, contract crushing and concrete projects in the resources sector
- concrete projects in the renewable energy sector.

Environmental awareness continues to gather momentum among those who commission projects and among our shareholders. We see exceptional opportunities for our Earth Friendly Concrete® (EFC®), which will further increase as additional global testing and certification is complete for commercial application. Use of new products will expand rapidly as there are successful commercialised projects completed. These projects are excellent case studies for global customers to assess the suitability of our products. We are excited by the opportunities for the commercial application of EFC® in international infrastructure projects as clients come to fully understand the performance and durability benefits of EFC®, particularly in corrosive environments.

CHALLENGES AND RISKS

The lack of large project and infrastructure work and delayed start of several major projects has been a challenge. Commitment from infrastructure owners and the timing of the projects remains one of the biggest challenges for Wagners in both global projects and major domestic infrastructure projects. Flexible resourcing and the ability to ramp up and down quickly is one of Wagners' strengths and will allow us to manage these market fluctuations.

Gaining acceptance of our EFC® for commercial applications is a process that takes time. We are obtaining international approvals and educating specifiers on the product and its capabilities while initial projects also prove its performance.

The dispute with Boral has resulted in a reduction in cement sales but has been necessary to maintain our strong focus on the long-term value of the company and providing the best outcome for our shareholders.

New competitors, particularly in our core construction materials and services business, have the potential to affect pricing, margins and our ability to win new work. We constantly monitor the situation and make adjustments in our strategies to remain competitive and retain profitability. Our culture and commitment are helping build a brand reputation that allows us to compete on value and quality, not just price.

Security of supply and pricing for raw materials is a potential risk. We manage this through long-term contracts and longstanding relationships with our supply network. Our suppliers are a vital part of our business and we build strong relationships through regular contact with them. This ensures they understand our requirements and can position themselves to offer us the best value and service.

"WE SEE EXCEPTIONAL OPPORTUNITIES FOR OUR EARTH FRIENDLY CONCRETE®, WHICH WILL ONLY INCREASE ONCE ALL GLOBAL TESTING AND CERTIFICATION IS COMPLETE FOR COMMERCIAL APPLICATION."

OUR PEOPLE & COMMUNITY

As a workforce, Wagners is one of action, innovation and initiative. What makes this possible is our people and our culture. By giving our employees the chance to take responsibility and show initiative, they are empowered to be proactive in achieving more for the company – to go above and beyond and achieve what they did not imagine was possible.

All decisions are grounded in our Guiding Principles and the shared determination 'to make intrepid progress to achieve beneficial outcomes'.

Our wider community is also important to us. We sponsor and support a number of organisations and events in each of our operating regions, and take great satisfaction in having the size and resources to be able to help those around us. We are also proud to support staff initiatives and charitable causes.

Safety for our people, for the community and on our roads is a non-negotiable commitment for all our divisions. Our full safety and hazard-management programs underpin our outstanding performance in this area.

AT A GLANCE FY19

- 567 employees
- 38% have been with us for 5+ years
- 26 apprentices
- 38 sponsorship and donation grants given to our local communities
- Vital funding raised by local communities for It's a Bloke Thing prostate cancer charity including naming rights sponsorship donation
- Zero Lost Time Injuries

"OUR PEOPLE ARE ONE OF THE MOST CRITICAL FACTORS IN OUR SUCCESS."

ACHIEVEMENTS FY19

PEOPLE

Focus groups to drive change
Following our 2018 Employee Survey, we introduced our Employee Focus Group for ongoing consultation and to help turn opinions into action. The feedback has been highly positive and there is stronger employee engagement as their collective voice is heard, their ideas are considered and as they see genuine progress being made in their workplaces.

We know from our survey and consultations that our people take great pride in the quality of work they produce and are proud to wear the Wagners uniform. They also take satisfaction from working for a reputable company and being able to actively contribute to our ongoing success. Employees are feeling more valued than they were before the consultation process and we hope to see further improvements reflected in the results of the next survey.

This ongoing process will help us meet our objectives of becoming an employer of choice with high levels of engagement and employee retention. This in turn will result in the best products and service for our customers.

Improved employee retention
Our staff retention figures for FY19 are proof our strategies are starting to have a real effect with staff turnover reduced significantly. We also celebrated the dedication and long-term commitment of the 12 per cent of the workforce with 10-plus years of service, and another 26 per cent who have been with us for five-plus years.

New market opportunities for staff
Our New Generation Building Materials (NGBM) expansion into the USA, the Middle East and Europe has opened the way for promotions and exciting new challenges for our staff. While some people are contracted locally, a significant number of team members from Australia are taking on new roles and adjusting to business in different cultures and climates. They are fully supported by our senior leadership team who are available to help solve challenges unique to new environments.

In South-East Queensland, our expanding network of concrete plants is creating new employment opportunities both for our own staff and the wider community.

Enterprise Agreements
Enterprise Agreements were improved, approved and implemented across most of our Construction Materials and Services (CMS) businesses. These renewals provided additional opportunities to liaise with employees and better understand their individual working environments and workplace conditions.

Online training
Staff training is a priority to support safety and efficiency. With a geographically dispersed workforce, the cost of training staff can be high and can disrupt business. The introduction of the SERA eLearning module allows us to offer high-quality training without having to take people away from their workplace. Since introducing eLearning in early 2019, more than 300 staff have been trained in subjects including chain of responsibility, safety, HR leadership, bullying and harassment awareness and National Heavy Vehicle Accreditation Scheme (NHVAS) mass management.

Gender reporting improvements
We are pleased to have maintained our Workplace Gender Equality Agency (WGEA) compliance with the Gender Equality Act and each year we endeavour to improve equality. In FY19, 14.3 per cent of promotions were awarded to women, an increase from 9.4 per cent from the previous year. This increase is notable given the nature of the building and construction materials industry with its high proportion of male employees.

Apprenticeship Program
We are proud to have successfully launched our Apprenticeship Program, which brought 11 new apprentices into the business in FY19. These apprenticeships are in electrical, heavy mechanical and boiler-making. This program gives us a pipeline of school leavers, supplying our future needs with people who have trained in our high safety, quality and environmental standards. Apprentices undertake formal training as well as on-the-job training, mentoring and site visits to other companies. During the year, our apprentices toured Caterpillar and Mack Volvo Trucks to observe industry advancements and different safety initiatives.

Graduate Program
Our Graduate Program, which is in development, will focus on recruiting professional talent from disciplines such as engineering, accounting, finance, legal and human resources. When it is launched later in FY20, the program will gradually increase our pool of professional talent, enriching our collective knowledge-base and strengthening our available business resources.

Workshop leads best practice trials
Our Workshop division is participating in the external Best Practice Network, which benchmarks efficiency, quality, safety and other measures relevant to the industry. It encourages participants to share lessons from other businesses and give feedback on progress. After initial trials and adaptation in the Workshop division, relevant improvements can be rolled out across the rest of the Wagners business. Employee involvement in agreeing and taking responsibility for introducing changes is creating a positive, proactive culture. Early initiatives have included visual management boards and an 'Everything has its place, and everything in its place' philosophy.

OUR PEOPLE & COMMUNITY (CONTINUED)

COMMUNITY

It's a Bloke Thing sponsorship

In 2019, we became the major sponsor for the Wagners It's a Bloke Thing Luncheon and educational roadshow. The luncheon is the largest daytime fundraising event in Queensland. It's a Bloke Thing raises funds for prostate cancer research, care and education. With a predominantly male workforce and industry, we believe it is vital to educate our staff and our community about this issue, which can affect our families. So far, the luncheon series has raised over $650,000 from the support of the Darwin and Gold Coast communities. The roadshow has visited over a dozen businesses and workplaces with much more to come.

CONCRETE FOR COMMUNITIES

In addition to sponsoring community groups and helping them achieve their goals, we also donate our products and services. A cause that really touched our hearts this year was for a young boy named Henry who became seriously ill after a chest infection. The illness meant Henry's family had to relocate to Brisbane from Rockhampton and needed their new home to be wheelchair accessible. Along with other local businesses and tradespeople who donated their time, we were proud to be able to provide our concrete services to help this family so Henry could be home in time for Christmas.

SAFETY

Safety record maintained

Our employee Lost Time Injury (LTI) record remains at zero for the third year. While no organisation is immune to unfortunate incidents, our uncompromising policies, procedures and training are an exceptionally effective protective framework for keeping our people safe at all times. It is a commitment that we constantly reinforce throughout the organisation, from senior management to the worksites.

Award for safety management system

In the 2018 Cement, Concrete and Aggregates (CCAA) Innovation Awards, Wagners was highly commended in the Health and Safety Innovation category. This award recognised the effectiveness of our comprehensive safety management system, which was progressively developed over the past seven years. Measurable improvements in our safety culture included a significant reduction in injury rates and costs associated with safety incidents, and a rise in the reporting rate for hazards and near-miss incidents. Our systems approach has given every worker the knowledge and tools to be responsible for managing their own safety and supporting others' safety, so everyone goes home safely to their family.

Environmental management

Protecting our environment from damage is part of our daily operations and our responsibility to the community. Our environmental management has significantly improved with enhanced environmental hazard reporting, audit and compliance processes. The effectiveness of our management system has been validated by the regulator through external audits. We also have longer-term sustainability initiatives to reduce our impact on the environment (see page 24).

“OUR FOCUS ON SAFETY REMAINS A COMMITMENT.”

FUTURE FOCUS

Our workforce is one of the most critical factors in our success. Having the right people at the right time in the right place can be a challenge. This is especially difficult with major infrastructure spending fluctuations – when we need extra hands, so do many of our competitors – and with overseas operations where cultural employment expectations and working hours are often different from Australia.

We believe the key to success is to be an employer of choice where people truly want to work, where they have opportunities to progress, where the culture motivates, and where they know their voice is heard. We will continue to take a multi-faceted approach to this in FY20.

OUR INNOVATION

One of Wagners' Guiding Principles is 'Fostering Innovation'. We believe this is a vital part of keeping our business ahead of the competition and responding to changing community expectations.

We make major investments in research and development. This not only focuses on new products and growth but also applies innovation to every aspect of production and services. We constantly look for win-win opportunities – to differentiate our business while at the same time being more efficient, safer and more environmentally responsible.

Throughout this annual report, you will read about ongoing innovation in different areas of our business. Here we focus on two of our major research and development initiatives for FY19.

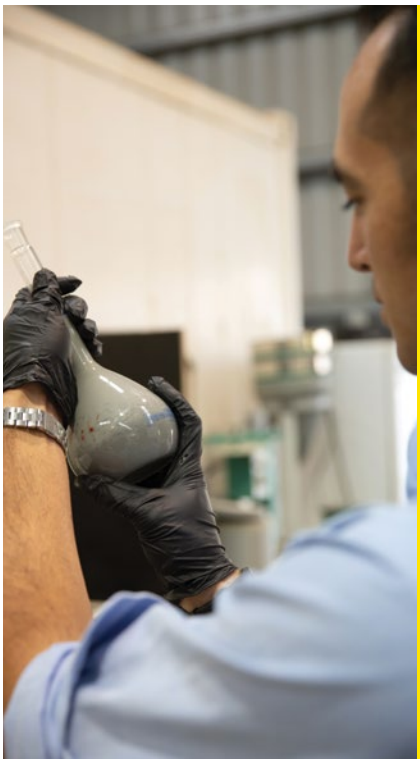
“WAGNERS HAS SET ITS SIGHTS ON BEING A WORLD-LEADER IN COMPOSITE FIBRE TECHNOLOGY.”

RESEARCH TO REFINE COMPOSITE FIBRE TECHNOLOGY

Wagners has set its sights on being a world-leader in Composite Fibre Technology. To support this goal, we continue to invest in product development and production efficiencies.

In FY19, we partnered with University of Southern Queensland (USQ) for a major research project over three years that will help further develop leading composite products and optimise the pultrusion process for higher productivity. Our $10.3 million joint research project is receiving $3 million from the Federal Government’s Cooperative Research Centres (CRC) Program.

By using a holistic engineering approach, the research team hope to further develop novel value-added products, such as fire-retardant civil structures to be used in rail and pedestrian bridges. These advanced structures are expected to capture new, high-value markets in the oil and gas and transport industries both in Australia and internationally.



OUR NEW EFC® CENTRE OF EXCELLENCE

Our new EFC® Centre of Excellence, which opened at Wacol in FY19, is both a practical, technological testing ground and a symbol of the high importance we place on innovation.

Wagners has been developing and testing EFC® for a number of years and, as we move to commercialisation and global markets, it is increasingly important to test it under diverse laboratory conditions and collect detailed scientific research.

This purpose-built laboratory can replicate any temperature and environment around the world, from the heat of central Australia to the cold of Antarctica, from wet environments of Europe to deserts in the Middle East. It houses technology that can stress test and analyse different geopolymer compositions.

EFC® has already proven capable of outperforming any other geopolymer product on the market. Findings from our research will enable us to continue refining our specialist products to meet the most demanding situations.

The state-of-the-art laboratory has been designed and constructed by our own in-house teams to meet our highly specific research and development needs, demonstrating inter-divisional cooperation as well as the broad expertise of our integrated business.

The laboratory has been established as a ‘concrete excellence hub’ that can be used for staff training and customer demonstrations as well as pure research.

OUR SUSTAINABILITY

It is a major challenge for the world to move from traditional construction materials to more sustainable alternatives. Wagners is aware of its role in helping achieve this. Alongside our financial sustainability, our business decisions consider the impact on people and the environment. We will not convert global construction industries to be environmentally sustainable overnight but our New Generation Building Materials (NGBM) and our other initiatives are already leading the way.

ALTERNATIVE FOR OUR ENVIRONMENT

Cement production is responsible for significant carbon emissions worldwide. Our industry therefore holds the key to making a significant environmental difference. For this reason, Wagners has invested heavily over recent years to develop alternative technology to replace cement products in concrete production.

Earth Friendly Concrete® (EFC®) outperforms traditional concrete by many measures. It is an innovative geopolymer concrete that contains no cement. Due to its unique ingredients and chemistry, the carbon emissions produced in production of EFC® are over 80 per cent less than for traditional concrete containing Portland cement. All of our new South-East Queensland concrete plants can produce EFC®.

PROTECTING THE ENVIRONMENT IN PRODUCTION AND IN USE

Our Composite Fibre Technologies (CFT) products are a robust alternative for many wood and steel applications. This reduces the environmental cost of deforestation and steel production.

This alternative for civil infrastructure is exceptionally durable so the environmental costs of maintenance and replacement are also reduced. With no rusting or harsh chemicals to leach into the soil or water, it is ideal for sensitive environments. Its lighter weight and faster installation time mean a smaller construction footprint and minimal environmental disturbance, further protecting precious flora and fauna.

FAIR TRADE

A sustainable operation calls on us to not only protect the Australian environment and community but to operate globally as we wish to do at home. We carefully monitor our overseas suppliers and operations to ensure fair-trade and fair conditions for workers as well as production methods that take into account both precious resources and carbon emissions.

PRODUCTION AND VEHICLE EFFICIENCIES

Our production and transport fleet are also important areas where we can control our emissions and environmental impact. New lean manufacturing energy efficiencies and our new fleet of more energy-efficient vehicles introduced in FY19 are both contributing to improved performance. See page 34.

WASTE

The concrete industry has high standards for waste management. At Wagners we strictly comply with all codes and endeavour to exceed the performance measures.

"IN CREATING OUR EARTH FRIENDLY CONCRETE®, WE HAVE PRODUCED A PRODUCT THAT OUTPERFORMS TRADITIONAL CONCRETE."

SUSTAINABILITY POLICIES AND GOVERNANCE

Wagners has a clear commitment to sustainability. Its comprehensive organisation-wide sustainability policy will formalise many of the initiatives already underway and set further measurable KPIs and targets. In the meantime, the Board oversees our commitment to:

- be an active and supportive member of the communities in which we operate
- be innovative and invest in the improvement and automation of operational processes in order to:
  - reduce carbon emissions in the construction industry
  - achieve a reduction in energy and water consumption across the company
  - achieve environmentally sound waste and water management throughout our organisation
- support and invest in our people for their professional growth and enable them to deliver the strategies of the company
- meet the KPIs set out in our Safety, Environment and Quality Policy, in addition to our Australian and international standards certifications with SAI Global.

IMPRESSING TIM FLANNERY

As one of the nation's leading commentators on the environment and the 2007 Australian of the Year, Tim Flannery is someone whose opinion counts. We were delighted when he visited us at our Pinkenba cement facility during the year to discuss climate change and discover what we are achieving with EFC®.

Although Mr Flannery admitted to coming with low expectations, he was genuinely impressed by the product and its potential.

"I cannot believe that such innovation is coming out of an Australian company. These products have the capacity to change the world," Mr Flannery said.

"Wagners are leading the way. Everyone is talking about geopolymer concrete but no one has actually commercialised it," he said.

"The innovation and commitment to these new products are extraordinary," he said.

Our goal is to realise the potential Tim Flannery sees for EFC® to 'change the world'.

NEW GENERATION BUILDING MATERIALS REPORT

Wagners' New Generation Building Materials (NGBM) division is a world-leader in high-strength, lightweight, low-carbon alternatives to traditional construction materials.

Our Earth Friendly Concrete® (EFC®) and Composite Fibre Technologies (CFT) are pioneering more sustainable solutions for concrete and hardwood.

We operate in Australian and overseas markets.

Our revenue for the FY19 year was $29.3 million. Earnings before interest and taxes (EBIT) were $1.8 million.

NGBM FY19 AT A GLANCE

- Record cross-arm sales of 100,000+
- 379,000 metres of CFT pultrusion
- 40% increase in CFT production capacity
- Projects in Australia, USA, New Zealand, UK, Canada, UAE

A YEAR OF EXPANSION AND INNOVATION

Our NGBM businesses had a productive year, expanding into new territories, taking on new projects and continuing to refine manufacturing processes and operations.

CFT is moving ahead strategically and swiftly. Infrastructure using CFT is now established in seven countries across the globe.

The Federal Government's Cooperative Research Centres (CRC) Program awarded Wagners $3 million for a research project that will further develop world-leading, next-generation composite civil engineering products. Our successful application for Made In Queensland grants will help our business to become a lean manufacturing facility, upskill our staff and increase efficiencies across the organisation.

We commissioned our fourth CFT pultrusion machine in May, which is pivotal to the growth of our business and will be used predominantly for custom-build projects for international customers. Our CFT production has doubled in the past two years, as we expanded from two to four machines.

EFC® also made important gains in overseas markets through tendering for a number of international projects needing solutions that our innovative product can provide. It also found new opportunities in innovative precast designs.

We continued to invest in our business, our people and our region. You can read more about our new EFC® research laboratory on page 23.

“OUR CFT PRODUCTION CAPACITY HAS DOUBLED IN THE PAST TWO YEARS, AS WE EXPANDED FROM TWO TO FOUR MACHINES.”

ABU DHABI BOARDWALK TREADS LIGHTLY

Our first CFT project in the Middle East demonstrated the installation advantages of CFT in a delicate environment.

The 2.2 kilometre boardwalk through mangroves, with six education nodes, is part of a much larger 5 billion Dirham development being undertaken by Modon (Saudi Industrial Property Authority).

The client’s instruction was that the mangroves could not be disturbed and any mangrove that was damaged should be replaced with two new ones. Our unique installation method was perfect for this sensitive ecosystem. The installation machinery can be placed on completed sections of the boardwalk and installed in a forward motion. This ensures minimal damage to the surroundings and has proved its worth in many other projects where we needed to protect local flora and fauna in vulnerable habitats.

NEW GENERATION BUILDING MATERIALS REPORT (CONTINUED)

COMPOSITE FIBRE TECHNOLOGIES (CFT)

WHAT IS COMPOSITE FIBRE TECHNOLOGY?

CFT products, designed by Wagners, are durable construction materials that can be used to replace timber and steel in many outdoor applications. As well as saving hardwood resources, CFT products are lightweight and resistant to rust, corrosion and chemical attack. They are increasingly being specified in Australia and overseas for boardwalks, bridges, walkways, marinas and as cross-arms for the electrical sector.

FY19 ACHIEVEMENTS

On the ground globally

We made significant new inroads with our international expansion during FY19. With our USA presence established and teams now working in the USA, New Zealand and UK, plus a design team and certified engineers in Malaysia, our presence is being felt in these major markets. This has led to our first projects in the USA, the UK, New Zealand and the United Arab Emirates. We are in the final stages of identifying a site for our manufacturing facility in the USA and intend to manufacture there in FY20.

Operational efficiencies

We were successful in our applications for a number of state and federal government grants, and a research program, supporting our innovations in CFT. This was particularly helpful to develop the new automation of our cross-arm manufacturing and to introduce a number of other lean manufacturing improvements to the business. We expect to commission the new automated cross-arm line in the second half of FY20.

New Zealand highlight

A major project in New Zealand, the Royal Auckland and Grange Golf Club, helped increase our market presence there, as well as being a profitable project in its own right.

Cross-arm gains

Our performance in the electrical cross-arm market continued to be strong with new clients secured in New Zealand and cross-arms now being supplied throughout all states of Australia. We also have cross arms on trial for new clients in the UK and NSW.

Custom-build wins

Our response to custom-build challenges was strong in the past financial year securing some major project both domestically and internationally. These projects include:

» water reservoir columns which was the first use of CFT in a potable water application

» the upgrade of a heritage listed railway to a CFT structure

» Wagners second CFT pedestrian bridge installed in the UK located in the Isle of Wight

» a 500 m CFT pedestrian boardwalk through mangroves and rainforest within the Botanic Gardens in Cairns

» the supply of pre-assembled stairs which were installed by helicopter on the side of a cliff at Jan Juc, Victoria

» the replacement of an old timber boardwalk with CFT on the Tweed River, NSW.

Our fourth pultrusion machine, commissioned in May 2019, will help us continue to grow this market.

Strengthening our team

Our people are a vital part of the equation and there are additional challenges recruiting and managing employees in our overseas operations. We are delighted that we halved staff turnover in the division in FY19 and that culture and morale are stronger. The global operation is offering new opportunities and promotions for our Australian employees and we have four new apprentices. Read more about our people on page 18.

FUTURE FOCUS

In FY20, we will be establishing our manufacturing plant in the USA and stepping up a gear in our strategic plans to grow this market.

The UK, the Middle East and Asia will continue to be a strong focus for our CFT products and we expect to undertake a number of new projects now our initial projects have helped prove both the benefits of our products and the credentials of our team.

We will also be targeting increased turnover in both cross-arms and custom-built applications, locally and internationally.

EARTH FRIENDLY CONCRETE® (EFC®)

WHAT IS EARTH FRIENDLY CONCRETE®?

EFC® is a new class of concrete based on geopolymer technology developed by Wagners. The geopolymer binder system is based on the chemical activation of industrial waste by-products flyash (from coal-fired power stations) and slag (from the production of steel). Concrete produced through this process significantly reduces carbon emissions compared to concrete produced with ordinary Portland cement. EFC® has better performance and durability than conventional concrete particularly in demanding applications such as corrosive sewerage and chloride environments along with heavy load-bearing pavement applications. We believe that as this concrete continues to develop, it will be a major disrupter to the traditional concrete market. EFC® will be available from all Wagners concrete plants as they come online across South-East Queensland.

FY19 ACHIEVEMENTS

Main Roads approval

EFC® received 50-year design life approval from the Department of Main Roads. This is a significant milestone in the product's acceptance for major commercial projects and means we are approved to supply for infrastructure projects in Queensland.

Indian inroads

Work is well advanced on obtaining regulatory approvals for the commercial application of EFC® in India.

A new pool partnership

Our partnership as a dedicated manufacturer for The Plunge Pool Company has resulted in a product that can easily be installed in every backyard in Australia. This innovative application of EFC® using our precast facility will have wide appeal, especially for environmentally-aware households or domestic building projects.

Home run

The new concrete plants with dedicated EFC® production capabilities are making our EFC® product available for consumers throughout South-East Queensland.

Fit for planes and trains

The new Qantas Pilot training academy in Toowoomba selected EFC® for its superior flexural strength to construct a taxiway. In Germany, EFC® precast rail sleepers are undergoing testing alongside traditional sleepers to verify performance and durability benefits.

City of Sydney road pavement trial

The City of Sydney adopted our EFC® product to use in a road pavement trial. This could open the way for further opportunities in the city and beyond.

Tough in the sewer

Following our recent success in being specified for a sewer project in New Zealand, we are now undertaking a testing program to position EFC® as a contender for specification in an underground sewer project in Singapore. The performance benefits that EFC® offers in these harsh environments will make it a strong competitor for future sewage infrastructure opportunities.

FUTURE FOCUS

Once the European standards (DIBt) approval is in place (expected before the end of this calendar year), we will increase our sales drive to identify projects and applications for which the environmental credentials and special qualities of this product and its particular qualities give it the winning edge. These qualities include high flexural strength, reduced drying shrinkage and increased acid resistance. Our leadership in wastewater infrastructure applications makes these projects a strategic focus for our sales team.

We believe there are many opportunities for us in Australia and overseas over the coming years and EFC® has exceptional potential to drive revenue growth in an environmentally conscious world.

Our production will ramp up to serve both the domestic consumer market and the major infrastructure markets. We expect a major increase in production and revenue in the year ahead.

CONSTRUCTION MATERIALS & SERVICES REPORT

Wagners' Construction Materials and Services (CMS) division manufactures and sells cement, concrete, flyash, reinforcing steel and aggregates. Our expanding network of concrete plants gives a convenient source of pre-mixed concrete for projects.

We also provide mobile and on-site concrete batching, crushing and haulage services. Our dedicated maintenance and fabrication workshop supports our other divisions on projects and helps ensure the efficient operation of all machinery and transport.

Revenue for FY19 was $210.7 million. Earnings before interest and taxes (EBIT) were $30.1 million.

STRATEGIC CLARITY IN GROWING OUR BUSINESS

The concrete market is increasingly competitive and Wagners has a clear strategy to maintain and grow our share. A key feature of this is building a concrete plant network to supply pre-mix concrete to the South-East Queensland market.

The development of this network has not only brought the benefits of vertical integration but also growth in employment and new opportunities for existing staff. People are recognising that Wagners is back as a serious supplier in this market and initial feedback has been highly positive.

The pricing dispute with Boral led to us suspending supply of cement and initiating legal action. Although this reduced our FY19 cement sales, it was an important decision protecting the long-term value of the company and interests of our shareholders.

During FY19, there was a lull in domestic infrastructure projects. Major projects were either drawing to a close or not yet approved to go ahead. Despite this, our CMS division showed good growth in many areas while it positioned itself well for the future.

CMS FY19 AT A GLANCE

» Significant growth in concrete volumes from our South-East Queensland concrete plants

» 29% increase in bagged cement sales

» 81% reduction in demurrage fees due to efficiencies at our Pinkenba wharf

» 35% increase in revenue from crushing projects

» Over 200% increase in transport revenue

» Designed and built new concrete plants

» In-house design for new pultrusion machine

» Six new apprentices

» Participation in industry Best Practice Network

“REVENUE IN OUR QUARRIES BUSINESS WAS HIGHER THAN FY18, DRIVEN LARGELY BY THE SUPPLY OF SIGNIFICANT VOLUMES OF QUARRY MATERIALS TO THE TOOWOOMBA SECOND RANGE CROSSING.”

CONCRETE

FY19 ACHIEVEMENTS

Concrete plant network progress

We made significant progress on developing our South-East Queensland concrete plant network in FY19 with four plants now operational, a further two sites under construction and further sites being identified and secured. We are continuing to ramp up towards our targeted volumes for the business.

Coopers Gap Wind Farm

In FY19 we completed the Coopers Gap Wind Farm project, our third wind farm project and a further demonstration of our expertise in the renewable energy sector. This large project required concrete to be supplied for 123 wind turbines over an eight-month period.

The project also called for cement, flyash and quarry materials, all of which were manufactured and hauled to the project by Wagners.

The Wagners’ team quickly mobilised, achieved an accelerated program in a challenging environment and completed the project with zero Lost Time Injuries (LTI).

Pipeline of projects

Our EFC® product has been specified for a wastewater project in New Zealand. This showed close cooperation between the two divisions and our ability to supply different materials to suit different situations. We are currently tendering for a number of interstate projects, which we expect to start in FY20, and are advanced in bidding for a number of large international concrete projects.

FUTURE FOCUS

Securing more domestic and international project work is vital to achieving our growth strategy. We will continue targeting efficiency and innovation in our mobile concrete plants to reduce costs in an increasingly competitive market.

We will continue to invest in business and personnel development to make sure we identify and win the most suitable opportunities. Our marketing efforts will demonstrate to clients how our team and products can deliver the most beneficial outcome for them regardless of the project’s location.

With our concrete plant network now strong and soon to reach target production, we will also focus on growing our customer base for pre-mix concrete. We have an aggressive program to achieve the growth objectives of the concrete business, based on the optimum balance of quality, service and price. Our competitiveness will be founded on our people, investment in innovative and efficient batching and delivery systems, and controlling a cost-effective raw materials supply chain.

CONSTRUCTION MATERIALS & SERVICES REPORT (CONTINUED)

CEMENT

FY19 ACHIEVEMENTS

Vertical integration

The cement business benefited from servicing some of Wagners' key projects, particularly the concrete division, along with infrastructure projects being undertaken by our precast business.

Production efficiencies

We achieved our targeted production efficiencies through the new Pinkenba wharf adjacent to our facility. Improved electricity consumption using the vertical roller mill is also helping us remain a low-cost cement manufacturer in South-East Queensland.

➔ FUTURE FOCUS

In FY20, we will continue to look to new markets, both geographically and for different products, to drive increased growth in annual cement volumes. With the demand for bagged cement supply continuing to increase, particularly in NSW markets, we need to grow our production capacity.

Having the right skills – and ramping up for larger infrastructure projects when the flow is on and everyone is looking for staff – is always a challenge but one we will continue to address through our various human resource initiatives. Read more about our people on page 18.

As we continue to increase the number of concrete plants in FY20 (with a target of 9 plants by the end of FY20), the continued integration of our businesses in the construction and supply phases will give our cement business long-term supply opportunities and certainty.

QUARRIES AND CONTRACT CRUSHING

Wagners' quarries supply concrete aggregates, crusher dust, sealing aggregates, pavement material asphalt aggregates, construction fills, road base, railway ballast and other fine crushed rock. Customers include builders, pre-mix concrete plants, road builders and regional councils, as well as our own concrete and project operations.

FY19 ACHIEVEMENTS

New quarry

We now have four quarries including Castlereagh Quarry at Cloncurry in North Queensland. This gives us operating rights for six quarries. Four of these are operational, supplying their local markets as well as our internal requirements for projects and our expanding pre-mix concrete markets. The integration of the Castlereagh Quarry into the business during the past year not only provided effective supply and complementary transport for customers in the region but also allowed us to respond immediately with solutions and materials to help repair the flood devastation in the area during early 2019.

Increased revenue

Revenue in our quarries business increased significantly compared to FY18, driven largely by the supply of substantial volumes of quarry materials to the Toowoomba Second Range Crossing from our Wellcamp Quarry.

➔ FUTURE FOCUS

Focusing on our crushing assets will allow us to reduce production costs and drive efficiencies in the business. These efficiencies are vital to remain competitive in a market subject to various pricing pressures.

To achieve the company's strategic goals, we will continue to acquire additional quarries where there are suitable opportunities. We also aim to secure more project crushing work and continue to increase sales volumes from permanent sites.

STEEL

Wagners' steel business manufactures and supplies reinforcing steel products from its dedicated facility in Toowoomba. It responds to the needs of a wide variety of projects – anything from small-scale residential housing through to large-scale mining and infrastructure projects.

FY19 ACHIEVEMENTS

The vertical integration of Wagners' businesses benefited the steel business in FY19 with increased demand for steel from our expanding concrete plant network, from projects being undertaken by our precast business and from cross-selling to other Wagners' business customers. It also secured some important local projects. The team easily rose to the challenge of meeting the higher demand during the year and there was an all-time record month for tonnes of steel produced.

Increased construction

The steel business supported a number of major infrastructure projects in Queensland through our precast business and supplied to many medium-sized commercial projects in South-East Queensland.

FUTURE FOCUS

We expect to see further increased demand in FY20, with opportunities coming from the continued expansion of our concrete plant network, and from some planned large-scale commercial and industrial projects. Innovation in the business will create further efficiencies that will allow us to remain competitive in the market. Continued infrastructure growth and investment across Queensland provide increased opportunities and a healthy pipeline of work for the steel business.

CONSTRUCTION MATERIALS & SERVICES REPORT (CONTINUED)

TRANSPORT

Our transport division gives us a major advantage in controlling deliveries of our materials. Our versatile fleet of prime movers and trailers also has contracts for haulage throughout the Australian mainland.

FY19 ACHIEVEMENTS

Revenue increased

Transport division revenue increased by 200 per cent following significant capital investment in our large haulage fleet to service long-term haulage contracts in the resources sector. All of these assets are now achieving full utilisation.

Efficiency upgrades to fleet

We introduced higher payload vehicles to reduce the numbers of vehicles required on major projects. This is both a significant efficiency gain and an important environmental gain with reduced emissions. Our new quad road trains have a 25 per cent greater payload than the vehicles they replace, and the PBS A-Double vehicles give a 33 per cent improvement in capacity compared to cement tankers.

All of our vehicles are purpose-designed and built for our needs and are the basis of an effective contemporary haulage service, predominantly operating in North Queensland and into the Northern Territory.

Mine contracts

The Lady Loretta Mine (near Mount Isa) project, which began late in FY18, moved into full operation. We also started a new coal haulage project at Oaky Creek Mine (Bowen Basin) and increased our scope and tenure at a mine near Tennant Creek, Northern Territory.

Support for Wagners' projects

A major activity during FY19 was supporting the raw material requirements for Wagners' new concrete network. As more plants come online the demand for additional raw material trucks is increasing.

Safety first

The safety of our drivers, other road users and the communities through which we travel is always a priority in our planning, training and daily operations.

FUTURE FOCUS

There will continue to be many opportunities for our transport business, particularly in the resources sector, which is expected to continue its resurgence. Our general transport fleet will also continue to benefit from its integration in the Wagners' company, meeting internal transport needs for our cement, flyash, quarries and concrete businesses.

WORKSHOP

Wagners' specialist in-house fabrication and repair workshop supports the other divisions in developing equipment, keeping machinery and vehicles operational and producing custom-made components for projects.

FY19 ACHIEVEMENTS

Our workshop in Toowoomba has been invaluable to achieving the year's goals across the company.

Concrete plants for the future

The skilled workshop team designed, fabricated and installed the new concrete plant at Toowoomba, and are in the process of doing the same at Narangba and Coolum. In addition to the concrete plants, we've also built two high-tech pultrusion machines for our CFT business. With their total understanding of the Wagners business, the designers and engineers at the workshop integrate best-practice design and innovation to keep the plants at the forefront of the industry. The intellectual property is also kept within the company and constructions timelines are within our control.

Maintenance and supply support

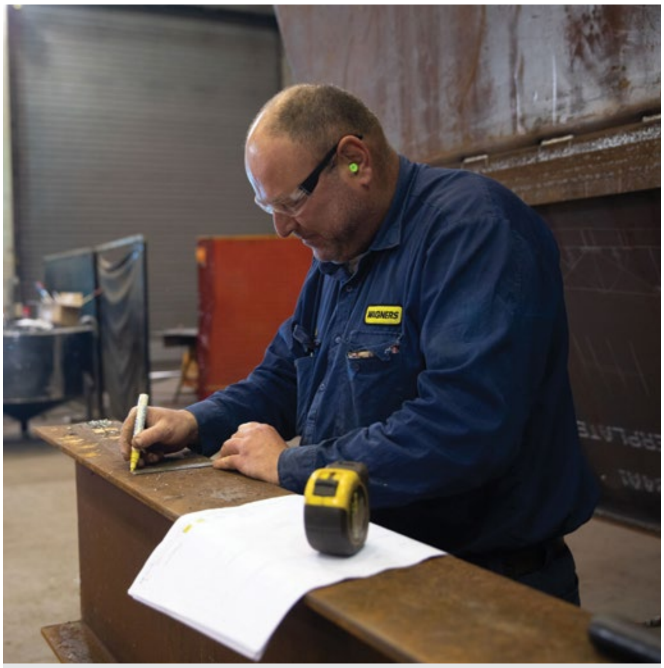
The workshop continued to support other divisions' projects by supplying maintenance staff on-site and renegotiating supply agreements to take account of market changes and better opportunities.

Apprenticeship opportunities

Our workshop is also a great place for apprentices to learn mechanical and engineering trades. In FY19, we took on six new apprentices. Three graduated and remained in the business, preserving valuable company knowledge and adding to our skilled and loyal workforce.

Best practice initiative

Our workshop participates in the external Best Practice Network, which benchmarks efficiency, quality, safety and other measures relevant to the industry. It encourages participants to share lessons from other businesses and give feedback on progress. After initial trials and adaptation in the workshop, relevant improvements can be rolled out across the rest of the Wagners business.



FUTURE FOCUS

The workshop expects to have a fifth pultrusion machine completed by the end of 2019 and this will be commissioned in the USA.

Work will continue on new concrete plants as the South-East Queensland network expands.

With a clear mandate for lean manufacturing, the workshop will continue to support the company in ensuring all equipment is efficiency-focused and meets the highest engineering and environmental standards.

GOVERNANCE

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

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

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

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

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

BOARD FOCUS AREAS: ADVANCING STRATEGY AND VALUE

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

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

VALUE CREATION	MATERIAL ISSUE	BOARD DELIBERATION/ACTION
Growth	Revenue growth: » acquisition of businesses to provide revenue growth » entry into international markets – US strategy » concrete strategy – continued expansion of construction materials business.	A number of acquisition opportunities were investigated and considered. Board considered and approved the establishment of a CFT manufacturing facility in the USA.
Innovation	Significant investment into research and development – CFT and EFC® products.	Board approval was given to the continued investment into research and development in product development, the NGBM business and operational efficiencies across all businesses.
Safety, quality, environment	Ability to operate safely across our operations and projects.	Board engagement in safety, quality and environment sessions.
People	Positive employment culture and turnover.	Welcome function for new employees held after every Board meeting. Board endorsement of implementation of focus group initiatives.

RISK MANAGEMENT

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

RISK	DETAIL OF POTENTIAL RISK	MITIGATION
Decreases in capital investment and construction activity in the Australian infrastructure sector	» Reduced demand for Wagners' products and services resulting from reduction in or delays in current levels of capital investments and construction activity in the Australian and international infrastructure sector may materially and adversely affect Wagners' revenue, profitability and growth.	» Multi-disciplinary exposure to a broad range of revenue sectors – residential, commercial, infrastructure, resources, oil and gas, renewable energy, defence.
Manufacturing and product quality	» Failure to continuously comply with applicable regulatory requirements or to take satisfactory action in response to an adverse inspection could result in enforcement actions such as shutdowns of, or restrictions on, manufacturing operations, delay in the approval of products, refusal.	» Recruitment of qualified personnel. » Investment in NATA-accredited laboratory and highly skilled laboratory team. » Safety, Environment and QA system embedded. » Internal auditors conduct scheduled compliance checks. » Insurance coverage.
Workplace health and safety	» Workplace accidents and incidents resulting in employee injury may result in penalties under relevant work health and safety legislation, and harm reputation and financial performance.	» SEQ compliance system. » Ongoing safety training and communication.
Supplier contracts	» Disruption in local and international supply contracts (electricity, shipping, raw materials) could cause product delays and potential loss of profitability.	» Long-term contracts secured. » Strong relationships with suppliers. » Multiple supply sources from various geographical locations.
Operational	» Failure to sell products or meet production demand. » Unanticipated manufacturing problems, plant breakdowns or mechanical failures. » Cost and availability of raw material. » Adverse weather conditions. All of the above may have an adverse affect on Wagners' profitability and ability to service customers.	» Commitment to implementation of business strategy. » Multiple product lines, agility to enter into new markets/products. » Maintain surplus capacity beyond contractual obligations. » Back-up plant and machinery to deal with breakdowns, with regular repairs and maintenance programs. » Securing long-term fixed-price supply contracts. » Force Majeure clauses in contracts.

GOVERNANCE (CONTINUED)

RISK MANAGEMENT (CONTINUED)

RISK	DETAIL OF POTENTIAL RISK	MITIGATION
Environmental claims	» Environmental issues may potentially delay contract performance or result in a shutdown of a project, causing a deferral or preventing receipt of anticipated revenues. » Environmental risks may give rise to remediation obligations, civil claims and criminal penalties. » Any potential liability or penalty could result in a significant financial loss.	» Strong focus on and commitment to the environment. » SEQ compliance. » Environment Manager with specialist skills. » Internal audits ensure each site complies with authorities to operate; external audits. » Strong reporting culture – potential environmental hazards reported monthly.
People, training and skills	» Ability to attract and retain qualified key personnel, including key members of Wagners' senior management team, and maintain a motivated, engaged workforce.	» Continued investment in the recruitment, training and development of our people to attract, retain and grow the best people. » Industry-based training is provided through internal and external programs for all personnel. » Enterprise Agreements with employees.
Remote locations	» Difficulties of remote area operations for plant, equipment and materials and related inherent risk to personnel.	» Demonstrated ability to mobilise quickly and efficiently – large mobile operations successfully completed globally. » Proven track-record of safe operation in harsh/remote locations.
Competition	» Intense competition in Australia and internationally means other companies may be pursuing or have existing products/services that target the same markets as Wagners.	» Strong business model and growth underpinned by continued investment in research and development across new/existing divisions. » Diverse range of products and services to limit exposure in extremely competitive markets.
Relationships with related parties may deteriorate	» Wagners has various related party arrangements with Wagner Corporation (leases, licences, wharf services agreement) of key operational sites. Breakdown of relationships could destabalise harmony between parties leading to less than optimal usage and occupancy of site.	» Secure long-term leases of sites on market terms.

RISK MANAGEMENT (CONTINUED)

RISK	DETAIL OF POTENTIAL RISK	MITIGATION
Debt covenants may be breached if performance declines	» Factors such as a decline in Wagners' operational and financial performance could lead to a breach of its banking covenants. » If a breach occurs, Wagners' financiers may seek to exercise enforcement rights under the debt facilities, including requiring immediate repayment, which may have a materially adverse effect of Wagners' future financial performance and position.	» Compliance system ensures covenants are maintained, with auditing/reporting to the Board monthly. » Work well within Board-approved operational/ capital budgets to ensure covenants are not breached.
Growth	» There is a risk that the Company may be unable to manage its future growth successfully, and no guarantee Wagners can maintain or grow project volume or pipeline – including potential negative impacts from factors beyond Wagners' control (e.g. decline in industry growth, lack of/ slow market acceptance of NGBM products, lack of available sites to establish ready-mix concrete plants, inability to obtain requisite approvals for quarry operations).	» Diversify business so that there are multiple revenue streams through a broad range of industry sectors.
Reliance on third parties	» Problems caused by third parties may affect Wagners' financial performance and prospects. » No guarantee that current operations will be carried out or managed in accordance with its preferred direction or strategy, subject to inability to control the actions of third parties.	» Due diligence/appropriate contractual documentation setting out key responsibilities/ expectations for subcontractors.
Financial Risk	» Credit risk, liquidity risk and market risk consisting of interest rate risk, foreign currency risk and other price risk – see pages 89 to 92 for further detail and analysis.	» See pages 89 to 92 for detail on mitigation strategies to manage these risks.

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

- capturing feedback through engagement and research during the financial year from key external stakeholders including investors, analysts and other relevant groups
- engagement with the Board
- ensuring the business strategy and trends influencing strategic direction are aligned with and relevant to the information collected above.

DIRECTORS

DENIS WAGNER

Non-executive Chairman

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

JOHN WAGNER

Non-executive Director

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

PETER CROWLEY

Independent Non-executive Director

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

ROSS WALKER

Independent Non-executive Director

- Appointed as part of Wagners' Initial Public Offering
- Specialises in working with small to medium-sized companies
- Currently a Non-executive Director of RPM Global
- Over 30 years' public accounting experience as a partner at Pitcher Partners, Brisbane
- Bachelor of Commerce – University of Queensland
- Fellow of the Institute of Chartered Accountants in Australia and New Zealand

LYNDA O'GRADY

Independent Non-executive Director

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

JOE WAGNER

- Appointed alternate Director to John Wagner
- Instrumental in developing Wagners into one of the leading construction materials producers in South-East Queensland
- Over 20 years' experience in the construction materials industry

EXECUTIVE TEAM

CAMERON COLEMAN

Chief Executive Officer

- Appointed Chief Executive Officer in July 2012
- Employed by Wagners for 24 years
- Experience across all areas of the business
- Oversees more than 500 employees
- Integral in Wagners' journey, and has created a culture that has enabled Wagners to differentiate itself from its competitors
- Completed the General Management Program at Harvard Business School in 2012

FERGUS HUME

Chief Financial Officer

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

KAREN BROWN

Company Secretary and General Counsel

- Appointed Company Secretary and General Counsel in November 2017
- Over 17 years' experience in private legal practice
- Solicitor of the Supreme Court of Queensland
- Bachelor of Laws and Bachelor of Commerce – University of Queensland

JOHN STARK

General Manager – Quarries and Contract Crushing, Concrete Projects, Transport and Maintenance Workshops

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

ANTHONY FREER

General Manager – Cement

- Appointed General Manager of Cement in October 2016
- 18 years' experience in management positions
- Prior to General Manager appointment, assisted with Wellcamp Airport and Business Park construction for Wagners, coordinating utility services and contract administration
- Bachelor of Financial Administration – University of New England

MICHAEL KEMP

General Manager – Composite Fibre Technologies

- Appointed Executive General Manager of CFT in March 2017
- Employed by Wagners for over 16 years
- Over 20 years' experience in the construction materials industry, including management/design/installation of the first composite fibre road bridge in Australia (Grafton NSW), as well as the first in Queensland (Blackbutt – Daguilar Highway)
- Bachelor of Engineering – University of Adelaide

RACHEL ALLAN

Group Human Resources Manager

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

ANDREW MACQUEEN

Head of Safety, Environment and Quality

- Appointed Head of Safety, Environment and Quality in January 2012
- Over 25 years' experience in various operational positions, including prior roles as Managing Director at Aviation Safety Management Ltd and Senior Air Safety Investigator at Qantas
- Member of the International Society of Air Safety Investigators
- Graduate of the Australian Institute of Company Directors

SHANE CHARLES

General Manager – Strategy and Development

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

MATT GRULKE

General Manager – Concrete, Reinforcing Steel and Precast

- Appointed General Manager in 2019
- Employed by Wagners for over 16 years in roles throughout Australia and internationally in the global division in Russia, New Caledonia and Papua New Guinea
- Experience in technical/laboratory, project management and internationally as Country Manager

FINANCIAL REPORT

CONTENTS TO FINANCIAL REPORT

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 2019.

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
ALTERNATE DIRECTOR	**ROLE**	**DATE OF APPOINTMENT**
Joseph Wagner	Non-executive Director	13 March 2018

PRINCIPAL ACTIVITIES

The principal activities of the Group consist of Construction Materials and Services and New Generation Building Materials.

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

New Generation Building Materials (NGBM) provide innovative and environmentally sustainable building products and construction materials through Composite Fibre Technologies (CFT) and Earth Friendly Concrete® (EFC®).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Group has made a decision under the 'Cement Supply Agreement' with Boral Limited to suspend supply of cement following the issue of a pricing notice which the Group disputes the validity of the notice. The details of this were advised to the ASX on 18 March 2019 with an update on 23 April 2019. This matter is now set for a hearing in the Supreme Court of Queensland on 16 and 17 September 2019.

On 31 August 2018, the Group acquired the Castlereagh Quarry from Rivet Mining Services. The quarry is located in Cloncurry and enables the Group to expand its presence in the North-West Queensland minerals province.

DIVIDENDS

	CONSOLIDATED GROUP	
	30 JUN 2019 $'000	30 JUN 2018 $'000
Final fully franked dividend of 3.5 cents per share paid during period (2018: Nil)	5,648	–
Interim dividend of 2.2 cents per share paid during period (2018: 1.5)	3,550	2,421
	9,198	**2,421**

DIRECTORS' REPORT

OPERATING AND FINANCIAL REVIEW

GROUP FINANCIAL RESULTS

Statutory net profit after tax (NPAT) of $12,779,000 (30 June 2018: $24,807,000) decreased by 48.5 per cent compared to the 2018 result. Wagners recorded a pro forma NPAT result of $13,752,000, allowing for fair value adjustments in derivatives.

Non-IFRS measures

Throughout this report, Wagners has included certain non-International Financial Reporting Standards (non-IFRS) financial information, including Earnings Before Interest, Depreciation and 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.

Pro forma and statutory results

Pro forma results are provided for the financial year ended 30 June 2019 to allow shareholders to make a meaningful comparison with the pro forma results for the year ended 30 June 2018 and to make an assessment of the Group's performance as a listed company. Pro forma and statutory results are summarised in Table 1 below.

Pro forma adjustments have been made on a consistent basis with those made in the prior year. A reconciliation of the pro forma results to the statutory results is provided in Table 2 on the following pages.

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

	FY19 PRO FORMA ACTUAL $'000	FY18 PRO FORMA ACTUAL $'000	FY19 STATUTORY ACTUAL $'000	FY18 STATUTORY ACTUAL[1] $'000
Revenue	236,888	231,530	236,888	231,530
Cost of sales	(89,184)	(86,889)	(89,184)	(86,889)
Gross profit	**147,704**	**144,641**	**147,704**	**144,641**
Other income	2,898	1,789	2,898	1,789
Operating expenses	(111,922)	(96,125)	(112,709)	(97,606)
EBITDA	**38,680**	**50,305**	**37,893**	**48,824**
Depreciation and amortisation	(13,043)	(10,819)	(13,043)	(10,819)
EBIT	**25,637**	**39,486**	**24,850**	**38,005**
Net finance costs	(5,992)	(6,306)	(5,992)	(7,670)
Net profit before tax	**19,645**	**33,180**	**18,858**	**30,335**
Income tax expense	(6,079)	(9,954)	(6,079)	(5,528)
NPAT	**13,566**	**23,226**	**12,779**	**24,807**

Notes:

1 Statutory results include the performance of all Group entities for the entire 2018 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 FY19 vs FY18

Increased bulk haulage, increased quarry volumes and increased concrete volumes have contributed to the higher revenue in FY19, these have partially been offset by the decreased cement volume, as a result of the Company's decision to suspend supply to Boral, and decreased precast revenues. These increases have resulted in higher cost of sales, and increased operating expenses reflecting the nature of the work involved.

Other income reflects increased asset sales compared to the prior year.

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

OPERATING AND FINANCIAL REVIEW (CONTINUED)

GROUP FINANCIAL RESULTS (CONTINUED)

Statutory results FY19 vs FY18

The major variances have been discussed in the previous section of pro forma results compared to last year. Items included in the statutory results that are not included in the pro forma FY19 results include:

» Fair value loss on derivative instruments, being $0.8 million.

The income tax expense includes adjustments for the Group now being taxed under its own tax consolidated group, all due to prior period deferred tax assets and asset values calculated upon formation of the tax consolidated group.

Table 2: Reconciliation of pro forma results to statutory results

GROUP RESULTS ($'000)	NOTE	FY19	FY18
Statutory EBITDA		**37,893**	**48,824**
Standalone corporate costs	1	–	(1,700)
Reversal of costs of the Offer	2	–	4,212
Reversal of fair value on derivative instruments gain	3	787	(1,227)
Reversal of loss on asset impairment write downs	4	–	196
Pro forma EBITDA		**38,680**	**50,305**
Statutory NPAT		**12,779**	**24,807**
Standalone corporate costs	1	–	(1,200)
Reversal of costs of the Offer	2	–	2,948
Reversal of fair value on derivative instruments gain	3	787	(859)
Reversal of loss on asset impairment write downs	4	–	137
Net finance costs	5	–	955
Tax expense/(benefit)	6	–	(3,562)
Pro forma NPAT		**13,566**	**23,226**

Notes:

1 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.

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

3 Adjustment to remove gains made on derivative instruments fair values as at 30 June 2019.

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

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

6 Adjustment made to reflect a flat 30 per cent tax rate on profit before tax used in Prospectus calculations.

Operating results by segment

	PRO FORMA FY19		PRO FORMA FY18		GROWTH	
SEGMENT ($'000)	REVENUE	EBIT	REVENUE	EBIT	REVENUE	EBIT
Construction Materials and Services	210,691	30,104	204,800	44,834	5,891	(14,730)
New Generation Building Materials	29,269	1,760	29,101	1,953	168	(193)
Other/Eliminations	(174)	(6,227)	(582)	(7,301)	408	1,074
Total	**239,786**	**25,637**	**233,319**	**39,486**	**6,467**	**(13,849)**

OPERATING AND FINANCIAL REVIEW (CONTINUED)

GROUP FINANCIAL RESULTS (CONTINUED)

Construction Materials and Services

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

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

Decrease in precast volumes due to low margins and continued delays in the commencement of large infrastructure projects in South-East Queensland. The outlook for the precast business remains depressed due to competitive market forces which has resulted in a decision to close the precast business in July 2019.

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

Concrete revenues have increased due to the expansion of the South-East Queensland fixed plant network and growth in volumes.

Increased supply of quarry materials as a result of the acquisition of the Castlereagh Quarry in Cloncurry together with the continued supply from the Wellcamp Quarry.

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

New Generation Building Materials

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

A 3.5 per cent increase in cross-arm volumes and continued sales of pedestrian infrastructure, short span road bridge and marine infrastructure have maintained the reported revenue. While the overall sales of NGBM remained static, the mix of customers and geography changed significantly in our pedestrian and road infrastructure division. In FY18 the Group completed the Pinkenba Wharf project for Wagner Corporation, which represented 18 per cent of the NGBM revenue. In FY19 this project was replaced by projects in Australia, New Zealand, UK, USA and UAE.

EBIT was impacted by increased sales and marketing spend in USA, UK and New Zealand and an increased spend on research and development in both CFT and EFC® in the 2019 financial year.

Financial position

	CONSOLIDATED GROUP		
	30 JUNE 2019 $'000	30 JUNE 2018 $'000	CHANGE $'000
Current assets	69,124	62,091	7,033
Non-current assets	131,707	116,612	15,095
Total assets	200,831	178,703	22,128
Current liabilities	53,251	49,685	3,566
Non-current liabilities	84,975	69,716	15,259
Total liabilities	138,226	119,401	18,825
Net assets/(liabilities)	**62,605**	**59,302**	**3,303**

The Group has slightly increased its Net assets position in FY19.

Increased cash on hand, together with increased inventory due to the timing of a cement raw material shipment have driven the increase in current assets.

Non-current assets have increased due to the investment in plant and equipment utilised for the increased bulk haulage work and the purchase of the Castlereagh Quarry.

Total liabilities have increased as a result of the increased borrowings used to fund the purchase of the plant and equipment mentioned above.

DIRECTORS' REPORT

OPERATING AND FINANCIAL REVIEW (CONTINUED)

STRATEGY AND FUTURE PROSPECTS

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

» **Continued expansion of ready-mix concrete plants:** the Group is continuing to establish and identify sites for expansion in its ready-mix concrete plant network. This will provide the Group's 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. The Group had four plants operational at 30 June 2019 with plans in place to increase this to nine operational plants in the financial year ending 30 June 2020.

» **Increased efficiency of production:** the Group is investing in automation and increased capacity of CFT and EFC® production facilities to allow for higher productivity and lower cost of production for these New Generation Building Materials.

» **Development of New Generation Building Materials international operations:** the Group will continue its growth focus in international markets for its CFT and EFC® products, with significant opportunities for a broad range of applications, particularly in the USA, UK, New Zealand, Europe and Middle Eastern markets. The Group will commence production of CFT in the USA during the 2020 financial year.

» **Cement:** Boral have an obligation to recommence cement off take and meet their contractual obligations until 2031. The Group will continue to expand its customer base in South-East Queensland and look to develop new products and markets.

ENVIRONMENT REGULATION

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

Wagners recognises and accepts that proper care of the environment is a fundamental part of its corporate business strategy and concerns for the environment must be integrated into all management programs. Wagners 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.

DIRECTORS' REPORT

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 54 and forms part of the Directors' Report for financial year ended 30 June 2019.

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 and 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.

	2019 $	2018 $
Tax compliance, advisory and other services	–	8,229
Due diligence services	–	71,131
	–	**79,360**

ROUNDING

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

PROCEEDINGS ON BEHALF OF COMPANY

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

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

EVENTS OCCURRING AFTER THE BALANCE DATE

The Directors of the Company are not aware of any other matter or circumstance not otherwise dealt with in the financial report that significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs in the period subsequent to the financial year ended 30 June 2019.

DIRECTORS' REPORT

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

CONSTRUCTION MATERIALS AND SERVICES

The Group is in a strong position to benefit from the large pipeline of infrastructure work in South-East Queensland which is scheduled to commence late in the 2020 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.

CONCRETE PLANTS

The establishment of permanent concrete plants in South-East Queensland – with four currently operational, two more to be operational by first quarter of the 2020 financial year, and a further four sites secured for future plants – delivers on the strategy outlined in the Prospectus. This, together with the development of a greenfield quarry site acquired in South-East Queensland (which is forecast to be operational within the next two years) strengthens the Group's position as a preferred supplier of construction materials in this market.

CFT

Increased production capacity through the commissioning of a new pultrusion machine in late financial year 2019 together with the installation of an automated cross-arm production line in Australia will enable CFT to continue to meet the growing domestic demand for both electrical cross-arms and pedestrian infrastructure, short span road bridge and marine infrastructure construction supply.

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

EFC®

The supply of EFC® into a major infrastructure project in New Zealand during 2020, following two years of testing, will provide another example of the application and benefits of EFC® in highly corrosive conditions.

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

The expected receival of Deutsches Institut für Bautechnik (DIBt) approval for EFC® in Germany in first quarter of 2020 financial year 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 platform for staged and measured commercialisation throughout Europe.

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

DIRECTORS' REPORT

INFORMATION ON DIRECTORS AND COMPANY SECRETARY

Name	**Denis Wagner**
Title	Non-executive Chairman
Qualifications	FAICD
Experience and expertise	Denis is one of the co-founders of Wagners and has been involved in the business since its inception 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
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	Riverside Marine and the Wesley Medical Research Limited
Former directorships (last 3 years)	GWA Group Limited (GWA)
Special responsibilities	Chair of Remuneration Committee and Member of Audit and Risk Committee
Interests in shares	44,280 Ordinary shares
Interests in options	None
Interests in rights	None
Contractual rights to shares	None

DIRECTORS' REPORT

INFORMATION ON DIRECTORS AND COMPANY SECRETARY (CONTINUED)

Name	**Ross Walker**
Title	Independent, Non-executive Director
Qualifications	BCom, FCA
Experience and expertise	Ross is a Chartered Accountant, with more the 30 years' corporate and accounting experience, and a former managing partner of accounting and consulting firm, Pitcher Partners, Brisbane.
Other current directorships	RPM Global Limited (ASX: RUL)
Former directorships (last 3 years)	None
Special responsibilities	Chair of Audit and Risk Committee and Member of Nomination Committee
Interests in shares	101,476 Ordinary shares
Interests in options	None
Interests in rights	None
Contractual rights to shares	None
Name	**Lynda O'Grady**
Title	Independent, Non-executive Director
Qualifications	BCom(Hons), FAICD
Experience and expertise	Lynda has held Executive/Managing Director roles at Telstra, including Chief of Product. Prior to this Lynda was Commercial Director of Australian Consolidated Press (PBL) and General Manager of Alcatel Australia. She was Chairman of the Aged Care Financing Authority until her retirement effective 30 April 2018 and is a member of the Advisory Board of Jamieson Coote Bonds and Council of Southern Cross University.
Other current directorships	Domino's Pizza Enterprises Limited (ASX: DMP)
Former directorships (last 3 years)	National Electronic Health Transition Authority – NEHTA
Special responsibilities	Member of Nomination Committee and Remuneration Committee
Interests in shares	18,450 Ordinary shares
Interests in options	None
Interests in rights	None
Contractual rights to shares	None
Name	**Karen Brown**
Title	Company Secretary
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	13,627 Ordinary shares
Interests in options	None
Interests in rights	None
Contractual rights to shares	None

DIRECTORS' REPORT

INFORMATION ON DIRECTORS AND COMPANY SECRETARY (CONTINUED)

'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 three 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 2019, and the number of meetings attended by each Director were:

	FULL BOARD MEETINGS		AUDIT AND RISK COMMITTEE MEETINGS		REMUNERATION COMMITTEE MEETINGS	
	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED
Denis Wagner	11	11	–	–	2	2
John Wagner*	11	10	2	2	–	–
Peter Crowley	11	11	2	2	2	2
Ross Walker	11	10	2	2	–	–
Lynda O'Grady	11	11	–	–	2	2
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 2019.

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

AUDITOR'S INDEPENDENCE DECLARATION

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Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

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

As lead auditor of Wagners Holding Company Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

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

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

C K Henry

Director

BDO Audit Pty Ltd

Brisbane, 19 August 2019

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 2019.

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 2019.

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.

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
» 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. The Group engaged external consultants during the financial year to provide recommendations in respect of KMP remuneration and structure.

REMUNERATION REPORT (AUDITED)

3 EXECUTIVE REMUNERATION POLICY AND PRACTICES

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

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

» competitiveness and reasonableness
» acceptability to shareholders
» performance linkage/alignment of executive compensation
» transparency.

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

(A) FIXED REMUNERATION

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

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

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

(B) SHORT-TERM INCENTIVE PLAN

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

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

The Group's pro forma EBIT has been assessed as the most suitable measure of financial performance for the STI.

The following table outlines the key features of the STI Plan for the financial year ended 30 June 2019.

Participants	All KMP executives and senior management	
Performance period	Financial year ending 30 June 2019	
Opportunity	**Disclosed executives**	**On target**
	CEO	25% of base salary
	CFO	25% of base salary
Performance target	Performance was measured against a pro forma reported EBIT as described above and ratified by the Board.	
Performance results	The Group did not achieve the pro forma reported EBIT result for the financial period, not satisfying the Group STI performance target.	
Payment method	100% of STI earned will be payable by way of cash in two equal tranches, over one year. 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.	

REMUNERATION REPORT (AUDITED)

3 EXECUTIVE REMUNERATION POLICY AND PRACTICES (CONTINUED)

(C) LONG-TERM INCENTIVE PLAN

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

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 will implement the LTI Plan during the 2020 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) and Directors may also be reimbursed for all travelling and other expenses incurred in connection with their Company duties. Non-executive Chairman fees are $200,000 per annum.

5 OVERVIEW OF GROUP PERFORMANCE

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

	FY19 STATUTORY ACTUAL	FY19 PRO FORMA ACTUAL	FY18 STATUTORY ACTUAL	FY18 PRO FORMA ACTUAL
Revenue ($'000)	236,888	236,888	231,530	231,530
EBITDA ($'000)	37,893	38,680	48,824	50,305
EBIT ($'000)	24,850	25,637	38,005	39,486
NPAT ($'000)	12,779	13,566	24,807	23,226
Dividends paid (cents per share)	5.7	5.7	1.5	1.5
Basic Earnings per share (cents)	7.9	8.5	17.1	16.0
Share price movement (cents per share)	(254)	(254)	164	164

6 EMPLOYMENT CONTRACTS OF KEY MANAGEMENT PERSONNEL

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

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

EXECUTIVE KMP	ROLE	CONTRACT DURATION	NOTICE PERIOD	TERMINATION PAYMENTS APPLICABLE	ANNUAL BASE SALARY $
Cameron Coleman	CEO	Unlimited	12 months (Wagner's notice)/ 6 months (employee's notice)	Applicable notice period	500,000
Fergus Hume	CFO	Unlimited	6 months	Notice period	300,000

REMUNERATION REPORT (AUDITED)

7 DETAILS OF REMUNERATION

(A) PERFORMANCE AGAINST STI PLAN

For the executive KMP members, the applicable STI award payable against the performance of pro forma EBIT for the financial year ended 30 June 2019 was:

EXECUTIVE KMP	MAXIMUM 'AT-RISK'	% OF MAXIMUM STI AWARDED / PAYABLE	% OF STI FORFEITED	ESTIMATE OF MAXIMUM TOTAL VALUE
Cameron Coleman	25% of base salary	0%	0%	–
Fergus Hume	25% of base salary	0%	0%	–

(B) DIRECTOR AND EXECUTIVE KMP REMUNERATION

Details of the remuneration of Directors and other Key Management Personnel of the Company in respect to their terms as a KMP outlined above, for the financial years ended 30 June 2019 and 30 June 2018 are set out in the tables on the following pages.

	SHORT-TERM				POST-EMPLOYMENT	LONG TERM			
FINANCIAL YEAR ENDED 30 JUNE 2019	SALARY AND FEES[1] $	IPO BONUS[2] $	STI AWARDED[3] $	NON-CASH BENEFITS $	SUPER-ANNUATION $	LONG SERVICE LEAVE[4] $	SHARE BASED PAYMENTS $	TOTAL REMUNERATION $	PERFORMANCE RELATED %
Non-executive Directors									
Denis Wagner[5]	200,000	–	–	–	–	–	–	200,000	–
John Wagner	100,000	–	–	–	–	–	–	100,000	–
Peter Crowley	100,000	–	–	–	–	–	–	100,000	–
Lynda O'Grady	100,000	–	–	–	–	–	–	100,000	–
Ross Walker	100,000	–	–	–	–	–	–	100,000	–
Executive KMP's									
Cameron Coleman	475,349	–	–	13,434	20,190	41,726	–	550,699	0%
Fergus Hume	311,587	–	–	25,301	25,878	1,093	–	363,859	0%
Total Directors' and Executive remuneration	**1,386,936**	**–**	**–**	**38,735**	**46,068**	**42,819**	**–**	**1,514,558**	**0%**

Notes:

1 Amount includes the value of annual leave accrued during the year.

2 One-off bonuses granted in connection to Wagners IPO.

3 STI bonus is for performance during the respective financial year using the criteria set out on page 56. STIs awarded is paid in two equal tranches over a one-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 Increased rate of Directors fees for the role of Chairman.

REMUNERATION REPORT (AUDITED)

7 DETAILS OF REMUNERATION (CONTINUED)

(B) DIRECTOR AND EXECUTIVE KMP REMUNERATION (CONTINUED)

	SHORT-TERM				POST-EMPLOYMENT	LONG TERM			
FINANCIAL YEAR ENDED 30 JUNE 2018	SALARY AND FEES[1] $	IPO BONUS[2] $	STI AWARDED[3] $	NON-CASH BENEFITS $	SUPER-ANNUATION $	LONG SERVICE LEAVE[4] $	SHARE BASED PAYMENTS $	TOTAL REMUNERATION $	PERFORMANCE RELATED %
Non-executive Directors									
Denis Wagner[5]	–	–	–	–	–	–	–	–	–
John Wagner[5]	–	–	–	–	–	–	–	–	–
Peter Crowley	58,333	–	–	–	–	–	–	58,333	–
Lynda O'Grady	58,333	–	–	–	–	–	–	58,333	–
Ross Walker	58,333	–	–	–	–	–	–	58,333	–
Executive 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 bonus is for performance during the respective financial year using the criteria set out on page 56. STIs 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 and John Wagner were not paid any Director fees for the current financial year as agreed. Director salaries prior to IPO incurred in company outside of the Group, as such these payments do not form part of the remuneration report.

6 Wagners Holding Company Limited was incorporated on 2 November 2017, however amounts reflect full financial year of remuneration.

8 EQUITY INSTRUMENTS HELD BY KEY MANAGEMENT PERSONNEL

(A) ORDINARY SHARES

The movement in number of ordinary shares in Wagners Holding Company Limited held directly, indirectly, or beneficially, by each key management person during the 2019 financial year, is as follows:

KEY MANAGEMENT PERSON	OPENING BALANCE	PURCHASES ON MARKET	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	4,400	–	–	71,743
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.

REMUNERATION REPORT (AUDITED)

8 EQUITY INSTRUMENTS HELD BY KEY MANAGEMENT PERSONNEL (CONTINUED)

(B) STI/LTI SHARES GRANTED AND ISSUED DURING THE YEAR

There were no STI/LTI shares granted or issued during the financial year ended 30 June 2019 (2018: none).

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 2019.

(B) OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL AND THEIR RELATED PARTIES

Directors and related parties

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

DESCRIPTION	FY19 REVENUE/(COST) $	FY18 REVENUE/(COST) $
Sale of materials and services[1]	10,328,126	7,215,313
Indemnity of losses on onerous contract	231,941	737,851
On charge of costs processed by the Group	150,804	3,273,447
Shared service agreement[2]	185,043	308,965
Gain on sale of property, plant and equipment[3]	1,664,873	–
Payments for property rent, material royalties and other costs	(8,001,788)	(3,785,660)

1 The sale of materials and services includes amounts recognised over time under AASB 15 for contracts to fabricate, construct and install concrete batch plants on sites owned by related parties. As at 30 June there was a Contract Asset (shown as owing above) recognised on the Groups balance sheet of $7,707,336.

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

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

This ends the Audited Remuneration Report.

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

Mr Denis Wagner
Chairman

Dated at Pinkenba, Queensland on 19 August 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

	NOTE	CONSOLIDATED GROUP 30 JUN 2019 $'000	30 JUN 2018 $'000
Revenue from contracts with customers	3(a)	236,888	231,530
Other income	3(b)	2,898	1,789
Direct material and cartage costs		(89,184)	(86,889)
Employee benefits expense		(49,976)	(45,354)
Depreciation and amortisation expense		(13,043)	(10,819)
Net finance cost	4	(5,992)	(7,670)
Fuel		(3,291)	(2,082)
Contract work and purchased services		(9,850)	(11,868)
Freight and postal		(5,857)	(915)
Legal and professional		(2,220)	(1,485)
Rent and hire		(7,640)	(8,141)
Repairs and maintenance		(18,560)	(13,116)
Travel and accommodation		(4,157)	(2,285)
Utilities		(4,206)	(4,642)
Fair value adjustment on derivative instruments		(787)	1,227
Listing costs	4	–	(4,212)
Impairment of trade receivables – gain/(loss)	7	119	(97)
Other expenses		(6,284)	(4,636)
Profit before income tax		**18,858**	**30,335**
Income tax expense	5	(6,079)	(5,528)
Profit attributable to equity holders of the parent		**12,779**	**24,807**
Other comprehensive income (net of tax)			
Items that may be reclassified to profit or loss			
Adjustment from translation of foreign controlled entities, net of tax	17	(26)	(111)
		(26)	(111)
Total comprehensive income attributable to equity holders of the parent		**12,753**	**24,696**

EARNINGS PER SHARE	NOTE	CENTS	CENTS
Basic earnings per share	19	7.9	17.1
Diluted earnings per share	19	7.9	17.1

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	NOTE	CONSOLIDATED GROUP 30 JUN 2019 $'000	30 JUN 2018 $'000
Current Assets			
Cash and cash equivalents	6	6,101	1,500
Trade and other receivables	7	42,661	43,303
Inventories	8	19,515	16,319
Derivative instruments	14	368	473
Other assets		479	496
Total Current Assets		**69,124**	**62,091**
Non-current Assets			
Other financial assets		7	6
Property, plant and equipment	9	123,520	111,807
Intangible assets	10	2,638	–
Deferred tax assets	11	5,542	4,568
Other assets		–	231
Total Non-current Assets		**131,707**	**116,612**
Total Assets		**200,831**	**178,703**
Current Liabilities			
Trade and other payables	12	28,242	27,844
Borrowings	13	14,673	13,614
Derivative instruments	14	1,474	1,354
Current tax liabilities		3,714	3,315
Provisions	15	5,148	3,558
Total Current Liabilities		**53,251**	**49,685**
Non-current Liabilities			
Borrowings	13	81,749	67,027
Derivative instruments	14	2,856	2,294
Provisions	15	370	395
Total Non-current Liabilities		**84,975**	**69,716**
Total Liabilities		**138,226**	**119,401**
Net Assets		**62,605**	**59,302**
Equity			
Issued capital	16	371,334	371,334
Pre-IPO distributions to related entities	16	(354,613)	(354,613)
Reserves	17	(397)	(371)
Retained earnings		46,281	42,952
Total Equity		**62,605**	**59,302**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

		CONSOLIDATED GROUP				
	NOTE	SHARE CAPITAL $'000	PRE-IPO DISTRIBUTIONS TO RELATED ENTITIES $'000	RESERVES $'000	RETAINED EARNINGS $'000	TOTAL $'000
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, net of tax		–	–	(111)	–	(111)
Total comprehensive income for the financial 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		–	(37,525)	–	–	(37,525)
Dividends paid	18	–	–	–	(2,421)	(2,421)
New shares issued (net of share issue costs)	16	97,294	–	–	–	97,294
Balance at 30 June 2018		**371,334**	**(354,613)**	**(371)**	**42,952**	**59,302**
Profit for the financial year		–	–	–	12,779	12,779
Exchange differences from translation of foreign controlled entities, net of tax		–	–	(26)	–	(26)
Total comprehensive income for the financial year		–	–	(26)	12,779	12,753
Other equity transactions		–	–	–	(252)	(252)
Transactions with owners in their capacity as owners:						
Dividends paid	18	–	–	–	(9,198)	(9,198)
Balance at 30 June 2019		**371,334**	**(354,613)**	**(397)**	**46,281**	**62,605**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2019

	NOTE	CONSOLIDATED GROUP 30 JUN 2019 $'000	CONSOLIDATED GROUP 30 JUN 2018 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		261,932	237,872
Payments to suppliers and employees (inclusive of GST)		(226,421)	(209,661)
Interest received		29	188
Dividends received		570	674
Finance costs		(5,565)	(7,858)
Income tax paid		(6,564)	2
Net cash provided by operating activities	**20**	**23,981**	**21,217**
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment		6,216	1,262
Payments for property, plant and equipment		(28,074)	(5,818)
Payments for acquired businesses		(4,059)	–
Net cash used in investing activities		**(25,917)**	**(4,556)**
Cash flows from financing activities			
Proceeds from borrowings		26,838	6,000
Proceeds from initial public offerings		–	99,998
Share issue costs		–	(8,074)
Pre-IPO distributions to related entities (net)		–	(27,848)
Dividends paid		(9,198)	(2,421)
Repayment of borrowings		(11,057)	(90,681)
Net cash provided by/(used in) financing activities		**6,583**	**(23,026)**
Net increase/(decrease) in cash and cash equivalents		**4,647**	**(6,365)**
Cash at beginning of half-year		1,500	7,865
Effect of currency translation on cash and cash equivalents		(46)	–
Cash at end of half-year		**6,101**	**1,500**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

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 2019 were authorised for issue in accordance with a resolution of the Directors on 19 August 2019.

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

The principal activities of the Group during the year consisted of the production and sale of construction materials and its New Generation Building Materials, including the provision of ancillary services.

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

(A) BASIS OF PREPARATION

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

(i) Basis of measurement and reporting convention

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

(ii) Continuation accounting

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

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

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

(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 Note 1(m))

» the determination of deprecation rates on property, plant and equipment (Note 9 and Note 1(h))

» the estimated exercise of option terms in relation to the concrete batch plant (Note 1(x)).

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(A) BASIS OF PREPARATION (CONTINUED)

(iv) New and revised accounting standards adoption

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

I. AASB 9 *Financial Instruments*

II. AASB 15 *Revenue from Contracts with Customers*.

The impact of the adoption of these standards and the new accounting policies are disclosed below. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments. Additionally, new accounting standards and interpretations that are not mandatory have not been early adopted. The effect of these new standards has been disclosed in Note 1(x).

I. AASB 15 *Revenue from Contracts with Customers*

Impact of adoption

The Group has adopted AASB 15 *Revenue from Contracts with Customers* from 1 July 2018. In accordance with the transition provisions in AASB 15, the Group has adopted the new rules retrospectively however there was no material impact on the amounts disclosed previously and as a result there has been no restatement required as a result of reclassification or remeasurement.

Accounting policies applied

Sale of materials and goods

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

Sale of construction and New Generation Building Materials contains only one performance obligation, with revenue recognised at the point in time when the material or good is transferred to the customer.

Provision of services

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

Infrastructure and mining project services

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

Construction contracts

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

Contract assets and contract liabilities

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

II. AASB 9 *Financial Instruments*

Impact of adoption

AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of AASB 9 *Financial Instruments* from 1 July 2018 resulted in changes in accounting policies. The new accounting policies are set out in note below. In accordance with the transitional provisions in AASB 9, comparative figures have not been restated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(A) BASIS OF PREPARATION (CONTINUED)

Classification and measurement

On 1 July 2018 (the date of initial application of AASB 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate AASB 9 categories. There were no changes to the classification and measurement of financial assets.

Impairment of financial assets

The Group has one type of financial asset that is subject to AASB 9's new expected credit loss model, being trade and other receivables. The Group was required to revise its impairment methodology under AASB 9 to a forward looking model. There was no material impact of the change in impairment methodology on the Group's retained earnings and equity.

While cash and cash equivalents are also subject to the impairment requirements of AASB 9, there was no material impairment loss identified.

Accounting policies applied

Classification

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

» those to be measured subsequently at fair value (either through OCI, or through profit or loss)

» those to be measured at amortised cost.

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

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

Measurement

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

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

Debt instruments

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

» Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

» FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. The Group measures its investments in equity instruments at FVPL.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable.

Impairment

From 1 July 2018, under the adoption of AASB 9 the Group's accounting for impairment losses relating to financial assets is now on a forward looking basis using the expected credit losses (ECL) approach. For trade receivables and contract assets, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Group has established a provision matrix that is based on the Group's historical credit losses against the receivables ageing profile.

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(B) PRINCIPLES OF CONSOLIDATION

Subsidiaries

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

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

(C) REVENUE RECOGNITION

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

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

(D) INCOME TAX

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

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

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

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

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 and direct labour, costs are assigned on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimate costs of completion and the necessary costs to make the sale.

(G) INTANGIBLES

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

(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(j) for details of impairment).

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

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

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

Depreciation

The depreciable amount of all fixed assets including land improvements and buildings, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the Group commencing from the time the asset is held ready for use. Estimated useful lives for each class of depreciable asset are as follows:

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

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

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

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) LEASES

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

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

(J) 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).

(K) BUSINESS COMBINATIONS AND GOODWILL

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

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

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

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

(L) FOREIGN CURRENCY TRANSACTIONS AND BALANCES

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(L) FOREIGN CURRENCY TRANSACTIONS AND BALANCES (CONTINUED)

(ii) Transactions and balances (continued)

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

(iii) Group companies

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

» assets and liabilities in the statement of financial position are translated at the closing exchange rate at the balance date of the reporting period

» 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.

(M) EMPLOYEE BENEFITS

(i) Short-term employee benefits

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

(ii) Other long-term employee benefits

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

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

(iii) Retirement benefit obligations

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

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

(iv) Termination benefits

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

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(M) EMPLOYEE BENEFITS (CONTINUED)

(v) Short-term incentive scheme

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

(N) PROVISIONS

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(O) CASH AND CASH EQUIVALENTS

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

(P) TRADE AND OTHER RECEIVABLES

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

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

(Q) TRADE AND OTHER PAYABLES

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

(R) BORROWINGS

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

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

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

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

(S) CONTRIBUTED EQUITY

Ordinary shares are classified as equity.

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

(T) DIVIDENDS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(U) GOODS AND SERVICES TAX (GST)

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

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

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

(V) ROUNDING OF AMOUNTS

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

(W) PARENT ENTITY FINANCIAL INFORMATION

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

(X) NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS

New accounting standards and interpretations have been issued by the AASB that are not yet mandatory for the 30 June 2019 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 16 *LEASES* (EFFECTIVE 1 JANUARY 2019)
Nature of change	AASB 16 was issued in January 2016 and is effective for the Group from 1 July 2019. AASB 16 requires lessees to recognise most leases on the balance sheet in the form of a right-of-use asset (ROUA) and a corresponding lease liability. AASB 16 also requires lessees to recognise depreciation expense on ROUAs, on a straight-line basis over the lease term, and interest expense on lease liabilities. The standard allows exemptions for short-term leases (less than 12 months) and for leases on low value assets. The new standard will impact most leases which are currently classified as operating leases and reported in the Groups commitments (Note 25).
Transition and Impact	The Group has elected to transition to the new standard using the modified retrospective approach. The modified retrospective approach provides the Group with two options for measurement of the ROUA. i. The first option is to measure the ROUA as an amount equal to the lease liability adjusted for any prepaid or accrued lease payments. ii. The second option is to measure the ROUA as if AASB 16 had always been applied from the initial recognition of the lease. The Group has elected to apply the first option of the modified measurement approach to all of its current leases. Under this approach, there is no adjustment to opening retained earnings as at 1 July 2019 and no restatement of comparative information. The Group has substantially completed its assessment on the impact of the new standard, however certain aspects of the revised accounting policy remain open, including the determination of lease terms for leases with options, which could have a notable impact on the final outcomes under the new standard. At this stage the Group has assessed the financial impacts for the 30 June 2020 financial year from the new standard as follows: » ROUAs of $79.75 million and lease liability of $79.75 million » increase in both EBITDA and EBIT by $4.74 million and $0.12million respectively » decrease in NPBT by $2.32 million.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

2 SEGMENT REPORTING

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

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

» **Construction Materials and Services (CMS):** supplies a range of construction materials and services predominantly to customers in the construction, infrastructure, and resources industries. Key products include cement, flyash, ready-mix concrete, precast concrete products, aggregates and reinforcing steel. Services include mobile concrete, crushing and haulage services, and are typically provided via medium to long-term contracts both domestically and internationally.

» **New Generation Building Materials (NGBM):** provides innovative and environmentally sustainable new generation materials. Key products are Composite Fibre Technologies (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 AND PROFIT OR LOSS

	CMS $'000	NGBM $'000	CORPORATE $'000	TOTAL $'000
Financial year ended 30 June 2019				
Segment revenue	210,691	29,269	2,390	242,350
Inter-segment elimination				(2,564)
Total revenue for the financial year				**239,786**
Profit before interest and income tax	30,104	1,760	(7,014)	**24,850**
Finance costs				(6,021)
Interest income				29
Income tax expense				(6,079)
Profit for the financial year				**12,779**

	CMS $'000	NGBM $'000	CORPORATE $'000	TOTAL $'000
Financial year ended 30 June 2018				
Segment revenue	204,800	29,101	2,098	235,999
Inter-segment elimination				(2,680)
Total revenue for the financial year				**233,319**
Profit before interest and income tax	44,834	1,953	(8,782)	**38,005**
Finance costs				(7,858)
Interest income				188
Income tax expense				(5,528)
Profit for the financial year				**24,807**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

2 SEGMENT REPORTING (CONTINUED)

MAJOR CUSTOMERS

The Group has a number of customers to whom it provides both materials and services. The Group supplies two external customers (2018: one) in the CMS segment who account for 25 per cent of external revenue (2018: 17 per cent).

GEOGRAPHICAL INFORMATION

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

3 INCOME

(A) REVENUE FROM CONTRACTS WITH CUSTOMERS

		CONSOLIDATED GROUP	
	NOTE	30 JUN 2019 $'000	30 JUN 2018 $'000
Sales of goods and services		236,888	231,530
Total revenue from contracts with customers		**236,888**	**231,530**

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

(B) OTHER INCOME

		CONSOLIDATED GROUP	
	NOTE	30 JUN 2019 $'000	30 JUN 2018 $'000
Profit on sale of property, plant and equipment		2,103	521
Dividends received		570	674
Rent and hire received		100	222
Other income		125	372
Total other income		**2,898**	**1,789**

(C) DISAGGREGATION OF REVENUE

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

	30 JUN 2019			30 JUN 2018		
	CMS $'000	NGBM $'000	CORPORATE $'000	CMS $'000	NGBM $'000	CORPORATE $'000
Australia	208,411	27,746	1,339	199,598	29,101	2,098
United States of America	–	1,523	–	–	–	–
Papua New Guinea and Malaysia	767	–	–	2,522	–	–
	209,178	**29,269**	**1,339**	**202,120**	**29,101**	**2,098**

(i) Australia NGBM has also earnt export revenue from several geographical locations in 2019, including New Zealand ($811,000), United Arab Emirates ($1,271,000) and United Kingdom ($323,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

4 PROFIT OR LOSS ITEMS

Profit for the following year included the following specific items:

(A) EXPENSES

	NOTE	CONSOLIDATED GROUP 30 JUN 2019 $'000	CONSOLIDATED GROUP 30 JUN 2018 $'000
Listing costs (i)		–	4,212
Net employee benefits expense (ii)		46,650	42,113
Defined contributions plans (iii)		3,326	3,241
Business combination costs	29	211	–

(i) The Company incurred one-off costs to list on the Australian Stock Exchange (ASX) in the prior 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.

(ii) Net employee benefits have increased from the prior corresponding period due to the expanded operations of the Group and increased investment for growth in the Groups New Generation Building Materials Global footprint. This excludes the Groups superannuation contribution paid for its employees, as in point (iii).

(iii) Defined contributions plans are the Groups superannuation contributions paid.

(B) NET FINANCE COSTS

	CONSOLIDATED GROUP 30 JUN 2019 $'000	CONSOLIDATED GROUP 30 JUN 2018 $'000
Interest income	(29)	(188)
Interest costs and facility fees	6,021	7,836
Other finance costs	–	22
	5,992	**7,670**

5 INCOME TAX

(A) INCOME TAX EXPENSE

	CONSOLIDATED GROUP 30 JUN 2019 $'000	CONSOLIDATED GROUP 30 JUN 2018 $'000
The components of income tax expense comprise:		
Current tax on profits for the year	5,755	3,315
Adjustments for current tax of prior periods	1,298	(198)
Deferred tax expense/(benefit)	(974)	2,411
	6,079	**5,528**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

5 INCOME TAX (CONTINUED)

(B) NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE

	CONSOLIDATED GROUP	
	30 JUN 2019 $'000	30 JUN 2018 $'000
Profit from continuing activities before income tax expense	**18,858**	**30,335**
Prima facie tax payable using Australian tax rate of 30% (2018: 30%)	5,657	9,101
Adjusted for:		
Net taxable impact of tax consolidation transition	412	(3,220)
Difference between Australian and overseas tax rates	29	5
Other net non-deductible/(non-assessable) items	(41)	(361)
Under/(over) provision from prior years	22	3
Income tax expense	**6,079**	**5,528**

(C) TAX AMOUNTS RECOGNISED DIRECTLY IN EQUITY

	CONSOLIDATED GROUP	
	30 JUN 2019 $'000	30 JUN 2018 $'000
The following deferred tax amounts were (charged)/credited directly to equity during the year in respect of:		
Net exchange difference taken to equity	–	–
Listing costs attributed to share capital	–	1,158
Recognised in comprehensive income	**–**	**1,158**

6 CASH AND CASH EQUIVALENTS

	CONSOLIDATED GROUP	
	30 JUN 2019 $'000	30 JUN 2018 $'000
Cash on hand	6	6
Cash at bank	6,095	1,494
	6,101	**1,500**

7 TRADE AND OTHER RECEIVABLES

	CONSOLIDATED GROUP	
	30 JUN 2019 $'000	30 JUN 2018 $'000
Current		
Trade receivables	35,531	43,173
Provision for impairment of receivables	(299)	(578)
	35,232	**42,595**
Contract assets (i)	6,823	–
Other receivables	606	708
	42,661	**43,303**

(i) Contract assets has increased due to the Group recognising revenue over time under AASB 15 *Revenue from contracts with customers*. This increase is materially from the Group's contracts it has entered into during the financial year for the fabrication, construction and installation of concrete batch plants.

(A) PROVISION FOR IMPAIRMENT OF RECEIVABLES

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

	CONSOLIDATED GROUP	
	30 JUN 2019 $'000	30 JUN 2018 $'000
Balance at beginning of period	578	481
Impairment expense/(credit) recognised during the year	(119)	97
Receivables (written off)/recouped during the year as uncollectable	(160)	–
Balance at end of period	**299**	**578**

(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	
	EXPECTED LOSS RATE	GROSS RECEIVABLE $'000	LOSS ALLOWANCE $'000
Current	0.5%	32,645	163
1 to 30	1.0%	1,316	13
31 to 60	5.0%	1,201	60
61 to 90	20.0%	15	3
90+	50.0%	55	27
Contract assets	0.5%	6,823	33
Balance at end of period		**42,055**	**299**

7 TRADE AND OTHER RECEIVABLES (CONTINUED)

(B) AGEING OF TRADE RECEIVABLES (CONTINUED)

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

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

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

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

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

Impairment before 1 July 2018
At the end of each reporting period, the Group assesses whether there is objective evidence that a receivable has been impaired. Impairment losses are recognised in profit or loss.

Impact on receivables upon transition to AASB 9
The Group adopted AASB 9 from 1 July 2018. The key impact upon adoption of AASB 9 was the change in impairment model applicable to trade receivables balances. For trade receivables and contract assets that do not contain a significant financing component in accordance with AASB 15 (so generally trade receivables and contract assets with a maturity of 12 months or less), lifetime expected credit losses are required to be recognised. The Group has applied the lifetime expected credit loss model to its receivable balances at 1 July 2018. The calculated opening provision for expected credit losses was $849,000. Given the calculated expected credit losses at 1 July 2018 is immaterial, no transitional adjustments have been made for both trade receivables and contract assets in these financial statements.

8 INVENTORIES

	CONSOLIDATED GROUP	
	30 JUN 2019 $'000	30 JUN 2018 $'000
Raw materials and stores	14,904	11,903
Work in progress	1,973	2,362
Finished goods	2,638	2,054
	19,515	**16,319**

The Group recognised $63,860,000 of inventory through profit or loss for the financial year ended 30 June 2019 (2018: $60,209,000).

9 PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED GROUP	
	30 JUN 2019 $'000	30 JUN 2018 $'000
Land and buildings		
Land improvements and buildings – at cost	19,119	18,749
Less accumulated depreciation	(4,343)	(3,727)
	14,776	**15,022**
Plant and equipment		
Plant and equipment – at cost	137,695	132,545
Less accumulated depreciation	(61,152)	(54,879)
	76,543	**77,666**
Motor vehicles		
Motor vehicles – at cost	43,137	30,671
Less accumulated depreciation	(16,848)	(12,788)
	26,289	**17,883**
Assets under construction – at cost	**5,912**	**1,236**
Total property, plant and equipment	**123,520**	**111,807**

(A) MOVEMENTS IN CARRYING AMOUNTS

FINANCIAL YEAR ENDED 30 JUNE 2019 $'000	LAND & BUILDINGS	PLANT & EQUIPMENT	MOTOR VEHICLES	ASSETS UNDER CONSTRUCTION	TOTAL
Opening net book value	15,022	77,666	17,883	1,236	111,807
Additions	370	7,598	14,220	5,886	28,074
Transfers from asset under construction	–	1,210	–	(1,210)	–
Business combination assets	–	572	209	–	781
Depreciation	(616)	(7,455)	(4,871)	–	(12,942)
Disposals	–	(3,048)	(1,152)	–	(4,200)
Closing net book value	**14,776**	**76,543**	**26,289**	**5,912**	**123,520**

FINANCIAL 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 asset under construction	–	1,005	–	(1,005)	–
Pre-IPO transfers to related entities	–	(3,953)	(4,367)	(2,759)	(11,079)
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**

As at 30 June 2019 the value of the Group's assets pledged as security was $29,370,000 (2018: $18,036,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

10 INTANGIBLE ASSETS

	CONSOLIDATED GROUP	
	30 JUN 2019 $'000	30 JUN 2018 $'000
Licences		
Licences – at cost (acquired through business combination – refer to Note 29)	2,740	–
Less accumulated amortisation	(102)	–
	2,638	**–**
Total intangible assets	**2,638**	**–**

(A) MOVEMENTS IN CARRYING AMOUNTS

FINANCIAL YEAR ENDED 30 JUNE 2019 $'000	LICENCES	TOTAL
Opening net book value	–	–
Additions	2,740	2,740
Amortisation	(102)	(102)
Disposals	–	–
Closing net book value	**2,638**	**2,638**

11 DEFERRED TAX ASSETS AND LIABILITIES

(A) RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

	ASSETS		LIABILITIES		NET ASSETS/(LIABILITIES)	
$'000	30 JUN 2019	30 JUN 2018	30 JUN 2019	30 JUN 2018	30 JUN 2019	30 JUN 2018
Inventories	68	–	(408)	(340)	(340)	(340)
Property, plant and equipment	1,593	45	–	–	1,593	45
Doubtful debts	89	173	–	–	89	173
Revenue received in advance	–	–	–	–	–	–
Employee benefits	1,747	1,545	–	–	1,747	1,545
Derivative financial instruments	1,300	1,095	(653)	(142)	647	953
Provisions	121	71	–	–	121	71
Other items	1,881	2,302	(196)	(181)	1,685	2,121
Deferred tax assets/(liabilities)	6,799	5,231	(1,257)	(663)	5,542	4,568
Set off deferred taxes	(1,257)	(663)	1,257	663	–	–
Net deferred tax assets	**5,542**	**4,568**	**–**	**–**	**5,542**	**4,568**

11 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 2019 $'000	OPENING BALANCE	CHARGED TO INCOME	CHARGED TO EQUITY	EXCHANGE DIFFERENCES	CLOSING BALANCE
Inventories	(340)	–	–	–	(340)
Property, plant and equipment	45	1,548	–	–	1,593
Doubtful debts	173	(84)	–	–	89
Revenue received in advance	–	–	–	–	–
Employee benefits	1,545	202	–	–	1,747
Derivative financial instruments	953	(306)	–	–	647
Provisions	71	50	–	–	121
Other items	2,121	(436)	–	–	1,685
Net deferred tax assets	**4,568**	**974**	**–**	**–**	**5,542**

YEAR ENDED 30 JUNE 2019 $'000	OPENING BALANCE	CHARGED TO INCOME	CHARGED TO EQUITY	EXCHANGE DIFFERENCES	CLOSING BALANCE
Inventories	(309)	(31)	–	–	(340)
Property, plant and equipment	1,802	(1,757)	–	–	45
Doubtful debts	144	29	–	–	173
Revenue received in advance	330	(330)	–	–	–
Employee benefits	1,714	(169)	–	–	1,545
Derivative financial instruments	1,320	(367)	–	–	953
Provisions	758	(687)	–	–	71
Other items	62	901	1,158	–	2,121
Net deferred tax assets	**5,821**	**(2,411)**	**1,158**	**–**	**4,568**

12 TRADE AND OTHER PAYABLES

	CONSOLIDATED GROUP	
	30 JUN 2019 $'000	30 JUN 2018 $'000
Trade payables	14,336	13,682
Sundry payables and accrued expenses	13,906	14,162
	28,242	**27,844**

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

13 BORROWINGS

	Consolidated Group	
	30 Jun 2019 $'000	30 Jun 2018 $'000
Current		
Secured liabilities		
Finance facility	6,000	6,000
Hire purchase and chattel mortgages	8,673	7,614
	14,673	**13,614**
Non-current		
Secured liabilities		
Finance facility	74,000	62,000
Hire purchase and chattel mortgages	7,749	5,027
	81,749	**67,027**
Total current and non-current secured liabilities:		
Finance facility (i)	80,000	68,000
Hire purchase and chattel mortgages (ii)	16,422	12,641
	96,422	**80,641**

(i) 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. In the prior year, 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 years ended 30 June 2019 and 30 June 2018.

(ii) 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 25.

14 DERIVATIVE INSTRUMENTS

		30 June 2019		30 June 2018	
	Note	Current $'000	Non-current $'000	Current $'000	Non-current $'000
Assets					
Foreign exchange forward contracts		368	–	473	–
Liabilities					
Foreign exchange forward contracts		(67)	–	–	–
Interest rate swap contracts		(1,407)	(2,856)	(1,354)	(2,294)
		(1,474)	**(2,856)**	**(1,354)**	**(2,294)**
Total derivative assets/(liabilities)	**21**	**(1,106)**	**(2,856)**	**(881)**	**(2,294)**

15 PROVISIONS

(A) PROVISION BALANCES

	CONSOLIDATED GROUP	
	30 JUN 2019 $'000	30 JUN 2018 $'000
Current		
Employee benefits (i)	4,600	3,321
Other	548	237
	5,148	**3,558**
Non-current		
Employee benefits (i)	370	395
Total Provision	**5,518**	**3,953**

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

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

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

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

(B) MOVEMENTS IN PROVISIONS

YEAR ENDED 30 JUNE 2019 $'000	EMPLOYEE BENEFITS	ONEROUS CONTRACTS	OTHER	TOTAL
Opening balance	3,716	–	237	3,953
Charged to profit and loss	3,650	–	311	3,961
Amounts used during the period	(2,396)	–	–	(2,396)
Closing balance	**4,970**	**–**	**548**	**5,518**

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**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

16 ISSUED CAPITAL

(A) SHARE CAPITAL

	30 JUN 2019 SHARES	30 JUN 2018 SHARES	30 JUN 2019 $'000	30 JUN 2018 $'000
Ordinary shares	161,375,590	161,375,590	371,334	371,334

(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**
	No transactions in the 2019 financial year	–	–
30 June 2019	**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.

(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.

17 RESERVES

	CONSOLIDATED GROUP	
	30 JUN 2019 $'000	30 JUN 2018 $'000
Fair value reserve	–	–
Foreign exchange reserve	(397)	(371)
	(397)	**(371)**

17 RESERVES (CONTINUED)

(A) MOVEMENT IN EACH CLASS OF RESERVE

	CONSOLIDATED GROUP	
	30 JUN 2019 $'000	30 JUN 2018 $'000
Fair value reserve		
Opening balance	–	(10,816)
Transfer to retained earnings	–	10,816
Closing balance	**–**	**–**
Foreign exchange reserve		
Opening balance	(371)	(260)
Exchange differences on translation of foreign operations, net of tax	(26)	(111)
Closing balance	**(397)**	**(371)**

(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(l).

18 DIVIDENDS

(A) DIVIDENDS PAID

	CONSOLIDATED GROUP	
	30 JUN 2019 $'000	30 JUN 2018 $'000
Final fully franked dividend of 3.5 cents per share paid during period (2018: Nil)	5,648	–
Interim dividend of 2.2 cents per share paid during period (2018: 1.5) (i)	3,550	2,421
	9,198	**2,421**

(i) 2019 interim dividend – fully franked and 2018 interim dividend – unfranked.

(B) DIVIDENDS PROPOSED

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

(C) FRANKING CREDITS

The franking account balance available to the shareholders of the Company at year-end is $6,061,000 (2018: $894,000). This balance includes adjustments made for franking credits arising from the payment of estimated provision for 2019 income tax.

19 EARNINGS PER SHARE

	CONSOLIDATED GROUP	
	30 JUN 2019 $'000	30 JUN 2018 $'000
Profit attributable to ordinary shareholders of the Company	12,779	24,807
	NUMBER OF SHARES	
Weighted average number of ordinary shares (i)	161,375,590	145,200,085
Basic and diluted earnings per share (cents per share) (ii) (iii)	**7.9**	**17.1**

(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 prior financial year ended 30 June 2018.

20 CASH FLOW INFORMATION

(A) RECONCILIATION OF CASH FLOW FROM OPERATION WITH PROFIT AFTER INCOME TAX

	CONSOLIDATED GROUP	
	30 JUN 2019 $'000	30 JUN 2018 $'000
Profit after income tax	12,779	24,807
Non-cash flows in profit		
Depreciation of property, plant and equipment	12,942	10,818
Amortisation of intangible assets	102	–
Fair value adjustment on derivative instruments	787	(1,227)
Net (gain)/loss on disposal of non-current assets	(2,016)	(521)
Asset utilisation fee charged to related parties	–	(222)
Net (sales)/purchases to other related parties	–	(132)
Non-operating cash flow in profit		
Listing costs expensed	–	4,212
Effect of taxation on items directly recognised in equity	–	1,158
Changes in operating assets and liabilities		
(Increase)/decrease in trade and other receivables	641	(15,040)
(Increase)/decrease in other assets	18	262
(Increase)/decrease in inventories	(2,654)	(3,933)
Increase/(decrease) in trade and other payables	395	(67)
Increase/(decrease) in income taxes payable	399	3,307
Increase/(decrease) in deferred taxes payables	(884)	1,065
Increase/(decrease) in provisions	1,472	(3,270)
Net cash provided by operating activities	**23,981**	**21,217**

20 CASH FLOW INFORMATION (CONTINUED)

(B) RECONCILIATION OF FINANCIAL LIABILITIES TO CASH FLOWS FROM FINANCING ACTIVITIES

YEAR ENDED 30 JUNE 2019 $'000	HIRE PURCHASE & CHATTEL MORTGAGES	FINANCE FACILITY	DERIVATIVES HELD TO HEDGE BORROWINGS	TOTAL
Opening balance	12,641	68,000	3,648	84,289
Cash inflows	14,838	12,000	–	26,838
Cash outflows	(11,057)	–	–	(11,057)
Non-cash flows in financial liabilities				
Insurance premium funding	–	–	–	–
Pre-IPO transfers to related entities	–	–	–	–
Fair value change in derivatives	–	–	682	682
Non-financing cash flows in financial liabilities				
Property, plant and equipment payments	–	–	–	–
Interest payments	–	–	–	–
Closing balance	**16,422**	**80,000**	**4,330**	**100,752**

YEAR ENDED 30 JUNE 2018 $'000	HIRE PURCHASE & CHATTEL MORTGAGES	FINANCE FACILITY	DERIVATIVES HELD TO HEDGE BORROWINGS	TOTAL
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 flows in financial liabilities				
Insurance premium funding	324	–	–	324
Pre-IPO transfers to related entities	(1,539)	–	–	(1,539)
Fair value change in derivatives	–	–	(824)	(824)
Non-financing cash flows in financial liabilities				
Property, plant and equipment payments	9,072	–	–	9,072
Interest payments	(715)	–	–	(715)
Closing balance	**12,641**	**68,000**	**3,648**	**84,289**

21 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).

21 FAIR VALUE MEASUREMENTS (CONTINUED)

(B) ESTIMATION OF FAIR VALUES

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

» **Market approach:** valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

» **Income approach:** valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

» **Cost approach:** valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Fair value techniques and inputs are summarised as follows:

DESCRIPTION	FAIR VALUE HIERARCHY	NOTE	VALUATION TECHNIQUE
Derivative instruments	Level 2	14	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 2019					
Interest rate swap contracts	14	–	(4,263)	–	(4,263)
Foreign exchange forward contracts	14	–	301	–	301
		–	**(3,962)**	**–**	**(3,962)**
As at 30 June 2018					
Interest rate swap contracts	14	–	(3,648)	–	(3,648)
Foreign exchange forward contracts	14	–	473	–	473
		–	**(3,175)**	**–**	**(3,175)**

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

22 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. These derivatives are not designated hedges and the Group has therefore not applied hedge accounting. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, and aging analysis for credit risk.

22 FINANCIAL RISK MANAGEMENT (CONTINUED)

(A) CREDIT RISK

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

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

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

Credit risk exposures

The maximum exposure to credit risk at the end of the reporting period is equivalent to the carrying amount of trade receivables and cash and cash equivalents. The Group does not consider there to be any significant concentration of credit risk with any single/or group of customers. The Group derives revenue from two key customers (2018: one), which accounted for 25 per cent of revenue for the financial year ended 30 June 2019 (2018: 17 per cent). Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality, aggregates of such amounts are detailed in Note 7.

(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
- 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 2019			
Trade and other payables	28,242	–	28,242
Derivative financial liabilities	1,474	2,856	4,330
Hire purchase and chattel mortgages	8,673	7,749	16,422
Finance facility	6,000	74,000	80,000
	44,389	**84,605**	**128,994**
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**

22 FINANCIAL RISK MANAGEMENT (CONTINUED)

(B) LIQUIDITY RISK (CONTINUED)

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

	AS AT 30 JUNE 2019		AS AT 30 JUNE 2018	
	DRAWN $'000	AVAILABLE $'000	DRAWN $'000	AVAILABLE $'000
Expiring within one year	–	–	–	–
Expiring beyond one year	80,000	60,000	68,000	72,000
	80,000	**60,000**	**68,000**	**72,000**

(C) MARKET RISK

(i) Interest rate risk

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

Interest rate risk is managed using a mix of fixed and floating rate debt and the Group enters into interest rate swaps to convert the majority of debt to fixed rate. At 30 June 2019, 62.5 per cent (2018: 100 per cent) of Group debt is at a fixed rate. It is the policy of the Group going forward to keep between 50 per cent and 100 per cent of debt on fixed interest rates.

Interest rate swaps

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Under these swaps, the Group agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

The notional principal amounts of the swap contracts approximate the Group's borrowing facilities, as described above. The net interest payment, or receipt settlements of the swap contracts occur every 30 to 90 days and correspond with interest payment dates on the borrowings.

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

	NOTIONAL PRINCIPLE AMOUNT		
	30 JUN 2019 $'000	30 JUN 2018 $'000	INTEREST RATES
Interest rate swaps	50,000	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 2019 $'000	30 JUN 2018 $'000
+100bp variability in interest rate	573	835
-100bp variability in interest rate	(573)	(835)

22 FINANCIAL RISK MANAGEMENT (CONTINUED)

(C) MARKET RISK (CONTINUED)

(ii) Foreign exchange risk

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

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

Foreign exchange forward contracts

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

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

	NOTIONAL AMOUNT		AVERAGE EXCHANGE RATES	
	30 JUN 2019 $'000	30 JUN 2018 $'000	30 JUN 2019 $	30 JUN 2018 $
Buy USD/sell AUD				
Settlement within six months	4,104	5,892	0.7307	0.7637
Settlement between six and 12 months	1,500	5,126	0.7210	0.7809
	5,604	**11,018**	**0.7281**	**0.7715**

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 2019 $'000	30 JUN 2018 $'000
+10% AUD/USD exchange rate	516	375
-10% AUD/USD exchange rate	(516)	(375)

(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 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

23 RELATED PARTY TRANSACTIONS

(A) PARENT ENTITY

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

(B) CONTROLLED ENTITIES

Interests in controlled entities are set out in Note 24.

(C) KEY MANAGEMENT PERSONNEL

Compensation of Key Management Personnel during the years was as follows:

	CONSOLIDATED GROUP	
	30 JUN 2019 $'000	30 JUN 2018 $'000
Short-term employee benefits	1,425,671	1,273,648
Other long-term employee benefits	42,819	14,841
Share based payments	–	–
Termination benefits	–	–
	1,468,490	**1,288,489**

Further disclosures relating to Key Management Personnel compensation are set out in the Remuneration report, that can be found on pages 55 to 60 of the Directors' Report.

No loans have been provided to Key Management Personnel by the Group throughout the financial year.

(D) TRANSACTIONS WITH OTHER RELATED PARTIES

Directors and related parties

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

DESCRIPTION	2019 REVENUE/ (COSTS) $	2019 OWED/ (OWING) $	2018 REVENUE/ (COSTS) $	2018 OWED/ (OWING) $
Sale of materials and services[1]	10,328,126	8,269,078	7,215,313	1,524,163
Indemnity of losses on onerous contract	231,941	–	737,851	–
On charge of costs processed by the Group	150,804	1,098	3,273,447	–
Shared service agreement[2]	185,043	–	308,965	–
Gain on sale of property, plant and equipment[3]	1,664,873	–	–	–
Payments for property rent, material royalties and other	(8,001,788)	(365,664)	(3,785,660)	(47,384)
Totals	**4,558,999**	**7,904,512**	**7,749,916**	**1,476,779**

1 The sale of materials and services includes amounts recognised over time under AASB 15 for contracts to fabricate, construct and install concrete batch plants on sites owned by related parties. As at 30 June there was a Contract Asset (shown as owing above) recognised on the Groups balance sheet of $7,707,336.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

24 SUBSIDIARIES AND CONTROLLED ENTITIES

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

		EQUITY HOLDING	
NAME OF ENTITY	COUNTRY OF INCORPORATION	30 JUNE 2019 %	30 JUNE 2018 %
Wagners Queensland Pty Ltd	Australia	100%	100%
Wagner Investments Pty Ltd	Australia	100%	100%
Wagners Flyash Pty Ltd	Australia	100%	100%
Wagners Australian Operations Pty Ltd	Australia	100%	100%
Wagners Concrete Pty Ltd	Australia	100%	100%
Wagners Quarries Pty Ltd	Australia	100%	100%
Wagners Transport Pty Ltd	Australia	100%	100%
Wagners Industrial Services Pty Ltd	Australia	100%	100%
Wagners Cement Pty Ltd	Australia	100%	100%
Wagners Charter Pty Ltd	Australia	100%	100%
Wagners International Operations Pty Ltd	Australia	100%	100%
Wagners Global Projects Sdn Bhd	Malaysia	100%	100%
Wagners Global Services (Malaysia) Sdn Bhd	Malaysia	100%	100%
Wagners Services Mozambique Limiteda	Mozambique	98.75%	98.75%
Wagners Global Ventures Sdn Bhd	Malaysia	100%	100%
Wagners Global Services Mongolia LLC	Mongolia	100%	100%
Wagners Concrete Mongolia LLC	Mongolia	100%	100%
Wagners Composite Fibre Technologies Pty Ltd	Australia	100%	100%
Wagners CFT Manufacturing Pty Ltd	Australia	100%	100%
Wagners EFC® Pty Ltd	Australia	100%	100%
Wagner USA Holding Company	United States	100%	100%
Wagners CFT LLC	United States	100%	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

25 CAPITAL AND LEASING COMMITMENTS

(A) HIRE PURCHASE AND CHATTEL MORTGAGE COMMITMENTS

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

	CONSOLIDATED GROUP	
	30 JUN 2019 $'000	30 JUN 2018 $'000
Minimum payments		
Within 12 months	9,216	8,061
Between 12 months and five years	7,979	5,184
Total minimum payments	**17,195**	**13,245**
Less: future finance charges	(773)	(604)
Present value of minimum payments	**16,422**	**12,641**
Current liability	8,673	7,614
Non-current liability	7,749	5,027
	16,422	**12,641**

(B) OPERATING LEASE COMMITMENTS

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

	CONSOLIDATED GROUP	
	30 JUN 2019 $'000	30 JUN 2018 $'000
Within 12 months	4,725	4,138
Between 12 months and five years	17,138	15,077
Greater than five years	111,312	111,188
	133,175	**130,403**

The Pinkenba Cement Plant site comprises the majority of operating lease commitments totaling $116,452,000 (2018: $118,318,000). It is a non-cancellable lease with 35 years still remaining and is subject to CPI adjustment annually with a market review every three years.

(C) CAPITAL EXPENDITURE COMMITMENTS

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

	CONSOLIDATED GROUP	
	30 JUN 2019 $'000	30 JUN 2018 $'000
Within 12 months	776	10,562

26 CONTINGENT ASSETS AND LIABILITIES

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

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

27 AUDITOR'S REMUNERATION

During the financial year the following fees were paid or are payable to the Group's auditor:

	CONSOLIDATED GROUP	
BDO AUDIT PTY LTD AND RELATED COMPANIES	30 JUN 2019 $'000	30 JUN 2018 $'000
Audit services		
Audit and review of financial statements – BDO Audit Pty Ltd	217,448	212,715
Total audit services	**217,448**	**212,715**
Non-audit services		
Due diligence services – *BDO Audit Pty Ltd*	–	71,131
Taxation services – *BDO (QLD) Pty Ltd*	–	8,229
Total non-audit services	**–**	**79,360**
Total amount paid or payable to auditor	**217,448**	**292,075**

28 PARENT ENTITY FINANCIAL INFORMATION

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

	CONSOLIDATED GROUP	
STATEMENT OF FINANCIAL POSITION	30 JUN 2019 $'000	30 JUN 2018 $'000
Assets		
Current assets	1,056	313
Non-current assets	73,804	62,103
Total assets	**74,860**	**62,416**
Liabilities		
Current liabilities	7,497	9,614
Non-current liabilities	4,758	3,359
Total liabilities	**12,255**	**12,973**
Equity		
Issued capital	371,334	371,334
Distribution to related entities	(355,010)	(366,447)
Retained earnings	46,281	44,556
Total equity	**62,605**	**49,443**
Statement of profit or loss and other comprehensive income		
Total profit for the financial year	1,907	(5,086)
Total comprehensive income for the financial year	1,907	(5,086)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

28 PARENT ENTITY FINANCIAL INFORMATION (CONTINUED)

(A) HIRE PURCHASE AND CHATTEL MORTGAGE COMMITMENTS

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

	CONSOLIDATED GROUP	
	30 JUN 2019 $'000	30 JUN 2018 $'000
Minimum payments		
Within 12 months	6,011	6,654
Between 12 months and five years	4,847	3,460
Total minimum payments	**10,858**	**10,114**
Less: future finance charges	(501)	(459)
Present value of minimum payments	**10,357**	**9,655**

(B) CONTINGENT ASSETS AND LIABILITIES

The parent entity does not have any contingent assets or liabilities as at 30 June 2019.

(C) GUARANTEES ENTERED INTO BY THE PARENT ENTITY

The parent entity has not entered into any guarantees.

(D) CONTRACTUAL COMMITMENTS FOR THE ACQUISITION OF PROPERTY, PLANT OR EQUIPMENT

The parent entity had no contractual commitments for the acquisition of property, plant or equipment (2018: $nil).

29 BUSINESS COMBINATIONS

CASTLEREAGH QUARRY ACQUISITION

On 31 August 2018, the Group acquired 100 per cent of the interests of the Castlereagh Quarry from Rivet Mining Services. The quarry is located in Cloncurry and enables the Group to expand its presence in the North-West Queensland minerals province.

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

	$'000
Purchase consideration	
Cash paid	4,059
Total purchase consideration	**4,059**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

29 BUSINESS COMBINATIONS (CONTINUED)

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

	FAIR VALUE $'000
Inventories	542
Property, plant and equipment	781
Intangible assets: licences (v)	2,740
Deferred tax asset	90
Provisions	(94)
Net assets acquired	**4,059**

(iii) During the period from acquisition to 30 June 2019, Castlereagh Quarry contributed revenues of $8,142,000 and earnings before interest and tax of $2,015,000. If the acquisition had occurred on 1 July 2018, revenue and earnings before interest and tax for the period ended would have been $9,771,000 and $2,418,000 respectively. These amounts have been calculated using information provided by the vendors and adjusted for:

- any differences in accounting policies
- any additional depreciation or amortisation that would have been charged assuming the fair value of each asset had applied from 1 July 2018.

(iv) Acquisition related costs of $211,000 in respect of this acquisition is included in other expenses in the profit or loss.

(v) During the period from acquisition to 30 June 2019, the identified intangible asset contributed $102,000 in amortisation expenses with a closing written down value of $2,638,000 as at 30 June 2019.

30 EVENTS OCCURRING AFTER THE REPORTING PERIOD

To the Directors' best knowledge, there has not arisen in the interval between 30 June 2019 and the date of this report any item, any other transaction or event of a material and unusual nature that will, or may, significantly affect the operations of the Group.

DIRECTORS' DECLARATION

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

(a) the consolidated financial statements and notes, as set out on pages 61 to 98, are in accordance with the *Corporations Act 2001*, including:

  i. complying with the Corporations Regulations 2001 and Australian Accounting Standards and Interpretations, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards

  ii. giving a true and fair view of the consolidated Group's financial position as at 30 June 2019 and of its performance for the financial year ended on that date

(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

(c) the Directors have been given the declarations required by s295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer, for the financial year ended 30 June 2019.

Mr Denis Wagner
Chairman

Dated at Pinkenba, Queensland on 19 August 2019.

INDEPENDENT AUDITOR'S REPORT

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Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Wagners Holding Company Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Wagners Holding Company Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, 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 2019 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.

INDEPENDENT AUDITOR'S REPORT

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.

Revenue recognition and measurement

Key audit matter	*How the matter was addressed in our audit*
• The Group's disclosures about revenue recognition are included in Note 1(a), which details the accounting policies applied following the implementation of AASB 15 *Revenue from Contracts with Customers*. • The assessment of revenue recognition was significant to our audit because revenue is a material balance in the financial statements for the year ended 30 June 2019 and the Group was required to change its accounting policies to align with the new standard. • The assessment of revenue recognition and measurement required significant auditor effort.	Our procedures included, amongst others: • Assessing the revenue recognition policy for compliance with AASB 15 Revenue from Contracts with Customers • Documenting the processes and assessing the internal controls relating to revenue processing and recognition • Tracing a sample of revenue transactions to supporting documentation • Performing substantive analytical procedures on the monthly sales for each material component • Assessing the adequacy of the Group's disclosures within the financial statements

Related Party Transactions

Key audit matter	*How the matter was addressed in our audit*
• The Group's disclosures about related party relationships and transactions are included in Note 23 to the financial statements. • Due to the nature of the group, the level of related party transactions was significant and complex and required significant interaction with management to audit and therefore represents a key audit matter.	Our procedures included, amongst others: • 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 • 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 • Assessing individually material related party transactions for reasonableness

INDEPENDENT AUDITOR'S REPORT

Other information

The directors are responsible for the other information. The other information comprises the information contained in Annual Financial Report for the year ended 30 June 2019, 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.

INDEPENDENT AUDITOR'S 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 16 to 24 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Wagners Holding Company Limited, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

BDO Audit Pty Ltd

BDO

C K Henry
Director

Brisbane, 19 August 2019

ADDITIONAL INFORMATION

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

The information is current as at 31 August 2019 unless stated otherwise.

DISTRIBUTION OF HOLDINGS (AS AT 31 AUGUST 2019)

RANGE	TOTAL HOLDERS	UNITS	% UNITS
1–1,000	1,303	754,272	0.47
1,001–5,000	3,063	8,931,258	5.53
5,001–10,000	1,214	9,316,047	5.77
10,001–100,000	991	25,453,034	15.77
100,001 and over	56	116,920,979	72.45
Rounding			**0.01**
Total	**6,627**	**161,375,590**	**100.00**

SHARES AND VOTING RIGHTS

All 161,375,590 shares in the Company are ordinary shares, held by 6,627 shareholders (as at 31 August 2019). Voting rights for ordinary shares are:

- On a show of hands, one vote for each shareholder
- On a poll, one vote for each fully paid ordinary share.

There is no current on-market buy-back.

SUBSTANTIAL SHAREHOLDERS

The following information is extracted from the Company's Register of Substantial Shareholders as at 31 August 2019.

NAME	DATE OF LAST NOTICE RECEIVED	NUMBER OF ORDINARY SHARES	% OF ISSUED CAPITAL
Denis Wagner	15 December 2017	88,756,575	55%
John Wagner	15 December 2017	88,756,575	55%
Neill Wagner	15 December 2017	88,756,575	55%
Joe Wagner	15 December 2017	88,756,575	55%
LHC Capital Partners Pty Ltd ACN 163 162 561	21 August 2019	11,209,705	6.95%
Mitsubishi UFJ Financial Group, Inc (relevant interest that Morgan Stanley and Carol Australia Holdings Pty Limited has a relevant interest in)	8 August 2019	8,874,311	5.50%

UNMARKETABLE PARCELS

	MINIMUM PARCEL SIZE	HOLDERS	UNITS
Minimum $500.00 parcel at $1.7300 per unit	290	358	60,711

ADDITIONAL INFORMATION

TOP 20 SHAREHOLDERS (AS AT 31 AUGUST 2019)

RANK	NAME	SHARES	% SHARES
1	DENIS PATRICK WAGNER	21,318,364	13.21
1	JOHN HENRY WAGNER	21,318,364	13.21
1	JOSEPH DOYLE WAGNER	21,318,364	13.21
1	NEILL THOMAS WAGNER	21,318,364	13.21
5	UBS NOMINEES PTY LTD	7,081,966	4.39
6	CITICORP NOMINEES PTY LIMITED	6,779,904	4.20
7	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	3,045,307	1.89
8	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	1,320,414	0.82
9	CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	1,010,000	0.63
10	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	978,853	0.61
11	DENIS WAGNER INVESTMENTS PTY LTD <DPW FAMILY A/C>	839,306	0.52
11	JOHN WAGNER INVESTMENTS PTY LTD <JHW FAMILY A/C>	839,306	0.52
11	NEILL WAGNER INVESTMENTS PTY LTD <NTW FAMILY A/C>	839,306	0.52
14	BRAZIL FARMING PTY LTD	650,000	0.40
15	JOE WAGNER INVESTMENTS PTY LTD <JDW FAMILY A/C>	629,479	0.39
16	ARCHERFIELD AIRPORT CORPORATION PTY LTD	502,203	0.31
17	SIRRON HOLDINGS PTY LTD	500,000	0.31
18	GEAT INCORPORATED <GEATPRESERVATION FUND A/C>	466,305	0.29
19	DR DAVID JOHN RITCHIE + DR GILLIAN JOAN RITCHIE <D J RITCHIE SUPER FUND A/C>	350,000	0.22
20	HENRY WAGNER INVESTMENTS PTY LTD <HFW FAMILY A/C>	335,722	0.21
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES		**111,441,527**	**69.06**
Total Remaining Holders Balance		**49,934,063**	**30.94**

BUSINESS OBJECTIVE

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

CORPORATE DIRECTORY

Directors
Denis Wagner, Non-executive Chairman
John Wagner, Non-executive Director
Peter Crowley, Non-executive Director
Lynda O'Grady, Non-executive Director
Ross Walker, Non-executive Director

Company secretary
Karen Brown

Registered office
Level 10, 12 Creek Street, Brisbane Qld 4000

Principal place of business
1 Airport Drive, 1511 Toowoomba-Cecil Plains Rd, Wellcamp Qld 4350

Share register
Computershare Investor Services Ltd

Auditor
BDO Audit Pty Ltd

Bankers
National Australia Bank Limited
HSBC Bank Australia Limited

Stock exchange listing
Wagners Holding Company Limited shares
are listed on the ASX (code: WGN)

Website
www.wagner.com.au

Postal Address
PO Box 151
Drayton North
Toowoomba Qld 4350, Australia

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