Appendix 4D - Interim Financial Report

Under ASX Listing Rule 4.2A.3

Wagners Holding Company Limited (ABN 49 622 632 848) & Controlled Entities

Current period	1 July 2019 to 31 December 2019
Prior corresponding period	1 July 2018 to 31 December 2018

Results for announcement to the market	Half-year to 31 Dec 2019 $'000	Half-year to 31 Dec 2018 $'000	Change %
Revenue from continuing operations	122,320	123,761	(1.2)
Net profit/(loss) before tax from continuing operations	(1,628)	12,844	(112.7)
Net profit/(loss) after tax from continuing operations	(1,210)	6,933	(117.5)

Revenue for the half-year ended 31 December 2019 decreased from the corresponding period due to reduced cement volumes, and no major project work in this half. This has been partially offset by increased concrete volumes, combined with the increased activity to full utilisation of the Groups contract haulage fleet.

Net profit before tax and after tax for the half-year ended 31 December 2019 has decreased from the corresponding period mainly due to lower cement volumes as a result of a dispute with a major customer (which has now recommenced offtake), delays in higher margin project services based work and the Groups revenue composition shifting, which now includes a greater proportion of lower margin revenue streams such as the Groups contract haulage services.

Please refer to the associated presentation that was released to the market on 25 February 2020 for further commentary.

Dividend information	Half-year to 31 Dec 2019 cents	Half-year to 31 Dec 2018 cents	Change %
No interim dividend per ordinary share declared	-	3.5	(100.0)

There were no dividend reinvestment plans in operation during the period

Net tangible assets per security	Half-year to 31 Dec 2019 $	Half-year to 31 Dec 2018 $	Change %
Net tangible assets per ordinary shares	0.53	0.36	44.4

Additional Appendix 4D disclosure requirements and commentary affecting the results for the period are contained in the Interim Financial Report for the half-year ended 31 December 2019 and management presentation for the half-year ended 31 December 2019.

This report is based on the interim consolidated financial statements which have been reviewed.

Wagners Holding Company Limited

ABN 49 622 632 848

Interim financial report

for the half-year ended 31 December 2019

Wagners Holding Company Limited

Interim financial report

for the half-year ended 31 December 2019

Contents

Wagners Holding Company Limited

Directors' report

The directors of Wagners Holding Company Ltd (Wagners) and its controlled entities (the Group), present their report together with the consolidated interim financial report for the half year ended 31 December 2019.

Principal activities

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

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

New generation building materials provides innovative and environmentally sustainable building products and construction materials through composite fibre technologies (CFT) and earth friendly concrete (EFC).

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	2nd November 2017
John Wagner	Non-executive director	2nd November 2017
Peter Crowley*	Non-executive director	9th November 2017
Lynda O'Grady	Non-executive director	8th November 2017
Ross Walker	Non-executive director	2nd November 2017

* Peter Crowley resigned as a Director on 24 September 2019.

Operating and financial review

Financial information found below is based upon the reviewed financial statements. Further commentary surrounding the review of operations of the Group for the half year are contained in the Investor Presentation announcements released to the Australian Securities Exchange on 25 February 2020.

$million	1H FY 20	2H FY 19	1H FY 19
Total Revenue	**122.3**	**113.0**	**123.8**
Gross Profit	67.4	75.4	74.4
Operating Costs	(56.0)	(59.9)	(52.0)
EBITDA	**11.4**	**15.5**	**22.4**
Depreciation & amortisation	6.6	6.7	6.3
Depreciation & amortisation – Right-of-use assets	2.2	-	-
EBIT	**2.6**	**8.8**	**16.1**
Net financing costs	2.5	2.7	3.3
Finance costs – lease liabilities	1.7	-	-
Tax expense/(benefit)	(0.4)	0.2	5.9
Net profit/(loss) after tax	**(1.2)**	**5.9**	**6.9**

Operating and financial review (continued)

Operating Earnings before Interest, Tax, Depreciation and Amortisation is a non-IFRS disclosure. In the opinion of the Directors, the Group's EBITDA reflects the results generated from ongoing operating activities and is calculated in accordance with AICD/Finsia principles.

The operating expenses, depreciation and finance income in December 2019 in this report are presented under the new standard AASB16 *Leases* and are not comparable to June 2019 and December 2018. Whilst the Group's rental costs have not materially changed overall, under the new standard the majority of the Group's rental costs are capitalised and depreciated over the terms of the relevant lease. As a result of this standard, the Group has expensed $2.5m less in rent in December 2019 half year than in the corresponding half. On the other hand, depreciation and interest (which is shown below the EBITDA) increased by a an amount of $3.9m (see note 7)

The results for the half year ended 31 December 2019 were low compared to the prior corresponding period due to:

- No major project work undertaken in this half.
- Reduced cement volumes due to dispute with major customer, recommenced offtake in late October 2019.
- Increased pricing pressure in the concrete, aggregate and cement markets in SEQ.
- The wind down of our precast business, pending the commencement of a large project.
- Increased maintenance and contract services spend.

Some positives to come out of this half are:

- Transport revenues and profit have continued to grow as expected, with more opportunities presenting throughout the half-year period, with a corresponding increase in maintenance costs.
- CFT results have increased compared to the prior corresponding period, with international expansion and large projects won in our local market – more work secured in the Middle East in Abu Dhabi and a large stadium project in Townsville.
- Supply recommenced to Boral with the dispute being heard in the Supreme Court of Queensland earlier this month, now awaiting the judgement.
- Awarded 2 material contracts, Adani Quarry services and Cross River Rail Tunnel Segment Supply.

The outlook for the second half of this year is:

- Continued pressure in the SEQ construction materials market.
- Cement volumes will improve with the recommencement of supply to Boral.
- Secured Project work will contribute more in this half however they will have a much larger impact in FY21.
- CFT has secured further international work and will start producing in the USA.
- We have tendered on 2 large international LNG projects, one in 2019 and one recently in 2020. No contracts have been awarded on these bids and we remain engaged on both. The timing is now that, even if the projects are awarded soon, there is unlikely to be any major impact on FY20 earnings.

Dividends

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

Significant 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 half year ended 31 December 2019.

Auditor's independence declaration

A copy of the auditor's independence declaration, as required under section 307C of the Corporations Act 2001 is set out on page 6 and forms part of the Director's Report for half year ended 31 December 2019.

Rounding

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

Signed in accordance with a resolution of the directors.

Mr Denis Wagner

Chairman

Toowoomba, Qld

25 February 2020

Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 10, 12 Creek St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

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

As lead auditor for the review of Wagners Holdings Company Limited for the half-year ended 31 December 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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

C K Henry
Director

BDO Audit Pty Ltd

Brisbane, 25 February 2020

Wagners Holding Company Limited

Consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2019

	Note	Consolidated Group 31 Dec 2019 $'000	31 Dec 2018 $'000
Revenue from contracts with customers	3(a)	122,320	123,761
Other income	3(b)	481	384
Direct material and cartage costs		(55,488)	(49,762)
Employee benefits expense		(23,039)	(24,724)
Depreciation – right-of-use assets	7	(2,154)	-
Depreciation and amortisation expense – other		(6,637)	(6,264)
Finance costs – lease liabilities	7	(1,688)	-
Net finance costs – other		(2,470)	(3,294)
Fuel		(1,482)	(1,799)
Contract work and purchased services		(6,322)	(3,690)
Freight and postal		(812)	(506)
Legal and professional		(1,157)	(1,107)
Rental & hire		(2,702)	(4,052)
Repairs and maintenance		(12,327)	(8,876)
Travel and accommodation		(2,567)	(2,045)
Utilities		(1,795)	(2,361)
Fair value adjustment on derivative instruments		260	549
Other expenses		(4,049)	(3,370)
Profit/(loss) before income tax	3	**(1,628)**	**12,844**
Income tax (expense)/benefit	4	418	(5,911)
Profit/(loss) attributable to equity holders of the parent		**(1,210)**	**6,933**
Other comprehensive income (net of tax)			
Items that may be reclassified to profit or loss			
Adjustment from translation of foreign controlled entities		(63)	(22)
		(63)	(22)
Total comprehensive income attributable to equity holders of the parent		**(1,273)**	**6,911**

Earnings per share		**Cents**	**Cents**
Basic earnings per share	10	(0.7)	4.3
Diluted earnings per share	10	(0.7)	4.3

The accompanying notes form part of these financial statements

Wagners Holding Company Limited

Consolidated statement of financial position

as at 31 December 2019

	Note	Consolidated Group 31 Dec 2019 $'000	30 Jun 2019 $'000
Current Assets			
Cash and cash equivalents		9,634	6,101
Trade and other receivables	5	52,130	42,661
Inventories		19,979	19,515
Current tax assets		2,317	-
Derivative instruments	13	152	368
Other assets		1,199	479
Total Current Assets		**85,411**	**69,124**
Non-current Assets			
Other financial assets		7	7
Property, plant and equipment	6	123,849	123,520
Right-of-use assets	7	74,330	-
Intangible assets		2,581	2,638
Deferred tax assets		6,101	5,542
Total Non-current Assets		**206,868**	**131,707**
Total Assets		**292,279**	**200,831**
Current Liabilities			
Trade and other payables		26,118	28,242
Borrowings	8	75,367	14,673
Lease liabilities	7	1,729	-
Derivative instruments	13	1,547	1,474
Current tax liabilities		-	3,714
Provisions		5,286	5,148
Total Current Liabilities		**110,047**	**53,251**
Non-current Liabilities			
Borrowings	8	4,668	81,749
Lease liabilities	7	73,974	-
Derivative instruments	13	2,307	2,856
Provisions		370	370
Total Non-current Liabilities		**81,319**	**84,975**
Total Liabilities		**191,366**	**138,226**
Net Assets		**100,913**	**62,605**
Equity			
Issued capital	9	410,915	371,334
Pre IPO distributions to related entities		(354,613)	(354,613)
Reserves		(460)	(397)
Retained earnings		45,071	46,281
Total Equity		**100,913**	**62,605**

The accompanying notes form part of these financial statements

Wagners Holding Company Limited

Consolidated statement of changes in equity

for the half-year ended 31 December 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 2018		**371,334**	**(354,613)**	**(371)**	**42,952**	**59,302**
Profit for the half-year		-	-	-	6,933	6,933
Exchange differences from translation of foreign controlled entities, net of tax		-	-	(22)	-	(22)
Total comprehensive income for the half-year		**-**	**-**	**(22)**	**6,933**	**6,911**
Transactions with owners in their capacity as owners:						
Dividends paid	10	-	-	-	(5,648)	(5,648)
Balance at 31 December 2018		**371,334**	**(354,613)**	**(393)**	**44,237**	**60,565**
Balance at 1 July 2019		**371,334**	**(354,613)**	**(397)**	**46,281**	**62,605**
Profit/(loss) for the half-year		-	-	-	(1,210)	(1,210)
Exchange differences from translation of foreign controlled entities, net of tax		-	-	(63)	-	(63)
Total comprehensive income for the half-year		**-**	**-**	**(63)**	**(1,210)**	**(1,273)**
Transactions with owners in their capacity as owners:						
New shares issued (net of share issue costs)	9	39,581	-	-	-	39,581
Balance at 31 December 2019		**410,915**	**(354,613)**	**(460)**	**45,071**	**100,913**

The accompanying notes form part of these financial statements

Wagners Holding Company Limited

Consolidated statement of cash flows

for the half-year ended 31 December 2019

	Note	Consolidated Group 31 Dec 2019 $'000	31 Dec 2018 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		124,049	151,969
Payments to suppliers and employees (inclusive of GST)		(125,875)	(121,143)
Interest received		11	50
Finance costs		(4,101)	(3,344)
Income tax paid		(5,982)	(62)
Net cash provided by/(used in) operating activities	12	**(11,898)**	**27,470**
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment		473	686
Payments for property, plant and equipment		(7,202)	(18,776)
Payments for acquired businesses		-	(4,059)
Net cash used in investing activities		**(6,729)**	**(22,149)**
Cash flows from financing activities			
Proceeds from borrowings		690	16,221
Proceeds from issue of new shares		40,023	-
Share issue costs		(632)	-
Dividends paid		-	(5,648)
Repayment of lease liabilities		(781)	-
Repayment of borrowings		(17,077)	(5,788)
Net cash provided by financing activities		**22,223**	**4,785**
Net increase/(decrease) in cash and cash equivalents		**3,596**	**10,106**
Cash and cash equivalents			
Cash at beginning of half-year		6,101	1,500
Effect of currency translation on cash and cash equivalents		(63)	-
Cash at end of half-year		**9,634**	**11,606**

The accompanying notes form part of these financial statements

1 Statement of Significant Accounting Policies

Wagners Holding Company Limited (the 'Company') is a company domiciled in Australia. The consolidated interim financial report of the Company for the half-year ended 31 December 2019 comprises the Company and its subsidiaries (together referred to as the 'Group'). The consolidated interim financial report was authorised for issue by the directors on 25 February 2020.

(a) Statement of compliance

The consolidated interim financial report has been prepared in accordance with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This consolidated interim financial report does not include all the information normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ending 30 June 2019; and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial / Directors' Report) Instrument 2016/191 and in accordance with that Instrument, amounts in the financial report have been rounded to the nearest thousand dollars, unless otherwise stated.

(b) Basis of preparation

The accounting policies and methods of computation applied by the Group in the consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2019 except for the adoption of new and amended standards as set out below.

Going concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realization of assets and settlement of liabilities in the normal course of business.

As disclosed in the financial statements, the Company has a working capital deficiency of $24,636,000 as at 31 December 2019. This is largely due to the finance facility being classified as current given the December 2020 expiry, as well as the impact of the adoption of AASB 16 Leases. Notwithstanding the current half year loss of $1,210,000, net cash outflows from operating activities of $11,898,000 and working capital deficiency, the Directors are of the opinion that the going concern assumption is appropriate due to the following reasons:

- The Group anticipates obtaining an equivalent finance facility prior to the December 2020 expiry of its current finance facility.
- The Group is currently meeting its covenant obligations.
- The Group has recently won some significant contracts as disclosed to the market on the ASX.

1 Statement of Significant Accounting Policies (continued)

(b) Basis of preparation (continued)

New and revised standards

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

- AASB 16 *Leases*.

The impact of the adoption of the above standard 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 for the interim reporting period have not been early adopted and any effect of these new standards has yet to be determined.

(i) AASB 16 *Leases*

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

The Group transitioned to AASB 16 using the modified retrospective approach, where the right-of-use asset is recognised at the date of initial application at an amount equal to the lease liability, using the entity's current incremental borrowing rate. Accordingly, prior comparative information has not been restated and all leases are presented as previously reported under AASB 117 Leases ('AASB 117') and related interpretations.

Accounting policies applied from 1 July 2019

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

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

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

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

1 Statement of Significant Accounting Policies (continued)

(b) Basis of preparation (continued)

New and revised standards (continued)

(i) AASB 16 *Leases* (continued)

Accounting policies applied from 1 July 2019 (continued)

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

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

Impact of adoption

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

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

The Group used its incremental borrowing rate at 1 July 2019 of 4.43% to discount lease payment when measuring its lease liabilities.

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

The impact of AASB 16 resulted in a $1.37m lower profit before tax, as the Group has recognised depreciation and interest costs, instead of operating lease expense. During the six months ended 31 December 2019, the Group recognised $2.15 million of depreciation charges, $1.69 million of interest costs, with there being no cash impact of AASB 16 in relation to those leases previously classified as operating leases and new leases added during the period.

1 Statement of Significant Accounting Policies (continued)

(c) Critical accounting estimates and judgments

The preparation of the interim financial report 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.

In preparing this consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2019 annual report.

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.

The Group's operating segments are determined based on the nature of the business activities undertaken by the Group. The Group operates in following two segments:

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

Segment results that are reported to the chief operating decision makers include items directly attributed to the segment as well as those that can be allocated on a reasonable basis.

Reconciliations of reportable segment revenues & profit or loss.

	CMS $'000	NGBM $'000	Corporate $'000	Total $'000
Half-year ended 31 December 2019				
Segment revenue	106,814	16,423	229	**123,466**
Inter-segment elimination				(665)
Total revenue for the half-year				**122,801**
Profit/(loss) before interest & income tax	6,947	842	(5,259)	**2,530**
Finance costs				(4,169)
Interest income				11
Income tax (expense)/benefit				418
Profit/(loss) for the half-year				**(1,210)**
Half-year ended 31 December 2018				
Segment revenue	110,233	14,533	554	**125,320**
Inter-segment elimination				(1,175)
Total revenue for the half-year				**124,145**
Profit/(loss) before interest & income tax	19,212	608	(3,682)	**16,138**
Finance costs				(3,344)
interest income				50
Income tax (expense)/benefit				(5,911)
Profit/(loss) for the half-year				**6,933**

3 Revenue & expenses

	Consolidated Group	
	31 Dec 2019 $'000	31 Dec 2018 $'000
(a) Revenue from contracts with customers		
Revenue from contracts with customers	122,320	123,761
(b) Other income		
Profit on sale of property, plant and equipment	180	210
Rent and hire received	184	-
Other income	117	174
	481	384
	122,801	**124,145**
Profit for the half-year included the following significant expenses:		
Employee benefits expense	23,039	24,638
Business combination costs	-	211

(a) Disaggregation of revenue

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

	Consolidated Group	
	31 Dec 2019 $'000	31 Dec 2018 $'000
Australia	122,640	122,443
United States of America	-	1,378
Papua New Guinea	161	324
	122,801	**124,145**

4 Income tax expense

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

	Consolidated Group	
	31 Dec 2019 $'000	31 Dec 2018 $'000
Profit from continuing activities before income tax expense	**(1,628)**	**12,844**
Prima facie tax payable using Australian tax rate of 30% (2018: 30%)	(488)	3,853
Adjusted for:		
Derecognition of deferred tax asset	-	1,321
Net taxable items assessed/(deducted) on tax consolidation transition	-	675
Other net non-deductible/(non-assessable) items	(38)	40
Under/(over) provision from prior years	108	22
Income tax expense/(credit)	**(418)**	**5,911**

(b) Tax amounts recognised directly in equity

	Consolidated Group	
	31 Dec 2019 $'000	31 Dec 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	-	-
Rights issue costs attributed to share capital	190	-
Recognised in comprehensive income	**190**	**-**

5 Trade and other receivables

	Consolidated Group	
	31 Dec 2019 $'000	30 Jun 2019 $'000
Current		
Trade receivables	35,911	35,531
Provision for impairment of receivables	(679)	(299)
	35,232	**35,232**
Contract assets	15,899	6,823
Other receivables	999	606
	52,130	**42,661**

6 Property, plant & equipment

	Consolidated Group 31 Dec 2019 $'000	Consolidated Group 30 Jun 2019 $'000
Land & buildings		
Land improvements & buildings – at cost	19,119	19,119
Less accumulated depreciation	(7,130)	(4,343)
	14,448	**14,776**
Plant & equipment		
Plant & equipment – at cost	140,576	137,695
Less accumulated depreciation	(66,273)	(61,152)
	74,303	**76,543**
Motor vehicles		
Motor vehicles – at cost	41,724	43,137
Less accumulated depreciation	(17,202)	(16,848)
	24,522	**26,289**
Assets under construction – at cost	**10,576**	**5,912**
Total property, plant & equipment	**123,849**	**123,520**

(a) Movements in carrying amounts

Half-year ended 31 December 2019 $'000	Land & buildings	Plant & equipment	Motor vehicles	Assets under construction	Total
Opening net book value	14,776	76,543	26,289	5,912	123,520
Additions	-	1,610	906	4,664	7,180
Depreciation	(328)	(3,635)	(2,595)	-	(6,558)
Disposals	-	(215)	(78)	-	(293)
Closing net book value	**14,448**	**74,303**	**24,522**	**10,576**	**123,849**

Half-year ended 31 December 2018 $'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	76	1,957	13,424	3,318	18,775
Business combination assets	-	572	209	-	781
Depreciation	(300)	(3,712)	(2,212)	-	(6,224)
Disposals	-	(112)	(363)	-	(475)
Closing net book value	**14,798**	**76,371**	**28,941**	**4,554**	**124,664**

7 Right-of-use assets & Lease liabilities

	Consolidated Group		
		31 Dec 2019	
	Current	Non-current	Total
	$'000	$'000	$'000
Right-of-use assets			
Land improvements & buildings	-	74,330	74,330
Lease liabilities			
Land improvements & buildings	(1,729)	(73,974)	(75,703)
Total derivative assets/(liabilities)	**(1,729)**	**356**	**(1,373)**

(a) Movements in carrying amounts

Half-year ended 31 December 2019 $'000	**Right-of use asset**	**Lease liability**	**Total**
Opening net book value	-	-	-
Additions	76,484	(76,484)	-
Payments	-	2,469	2,469
Depreciation & interest	(2,154)	(1,688)	(3,842)
Closing net book value	**74,330**	**(75,703)**	**(1,373)**

8 Borrowings

	Consolidated Group	
	31 Dec 2019	30 Jun 2019
	$'000	$'000
Current		
Secured liabilities		
Finance facility (i)	67,000	6,000
Chattel mortgages	8,367	8,673
	75,367	**14,673**
Non-current		
Secured liabilities		
Finance facility (i)	-	74,000
Chattel mortgages	4,668	7,749
	4,617	**81,749**
Total current and non-current secured liabilities:		
Finance facility	67,000	80,000
Chattel mortgages	13,035	16,422
	80,035	**96,422**

(i) The Groups finance facility agreement expires in December 2020, as such all debt under this facility is classified as current, the Group however fully expects to obtain equivalent facilities prior to expiry.

9 Issued capital

(a) Share capital

	31 Dec 2019 Shares	30 Jun 2019 Shares	31 Dec 2019 $'000	30 Jun 2019 $'000
Ordinary shares	**187,196,887**	161,375,590	**410,915**	371,334

(b) Movement in share capital

Date	Details	No. of shares	$'000
1 July 2019	Opening balance	161,375,590	371,334
22 November 2019	Shares issued – renounceable entitlement offer (i)	25,821,297	40,023
22 November 2019	Renounceable entitlement offer costs – net of tax		(442)
31 December 2019	**Closing balance**	**187,196,887**	**410,915**

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

(c) Other securities issued

As part of the previously disclosed Long Term Incentive Plan (Omnibus Incentive Plan) for Company employees, the Company issued 657,095 options on 20 December 2019 with the following vesting conditions:

1	**Vesting Dates**	Tranche 1 – 31 August 2020 Tranche 2 – 31 August 2021 Tranche 3 and Remainder Options – 31 August 2022
2	**Vesting Conditions**	On each tranche vesting date, if the earnings per share (**EPS**) of the Company for the preceding financial year is: (a) at least 10% (but less than 12.5%) higher than the comparative financial year EPS, 50% of the Tranche 1 Options shall vest; or (b) at least 12.5% (but less than 15%) higher than the comparative financial year EPS, 75% of the Tranche 1 Options shall vest; or (c) at least 15% higher than the comparative financial year EPS, 100% of the Tranche 1 Options shall vest. **Additional vesting terms** Any Tranche 1 or 2 Options which did not vest on the Tranche 1 Vesting Date or Tranche 2 Vesting Date respectively will vest on the Tranche 3 Vesting Date if the Tranche 3 EPS is at least 20% higher than the Tranche 2 EPS.
3	**Expiry Date**	5 years from the date the Options were issued.

10 Dividends

	Consolidated Group	
	31 Dec 2019 $'000	31 Dec 2018 $'000
No final dividend paid during period (2018: 3.5 cents)	-	5,648

11 Earnings per share

	Consolidated Group	
	31 Dec 2019 $'000	31 Dec 2018 $'000
Profit/(loss) attributable to ordinary shareholders of the Company	(1,218)	6,933
	Number of shares	
Weighted average number of ordinary shares	166,878,490	161,375,590
Basic earnings per share (cents per share)	**(0.7)**	**4.3**
Diluted earnings per share (cents per share) (i)	**(0.7)**	**4.3**

(i) 657,095 options were issued during the period [see Note 8(c)]. Options and performance shares could potentially dilute basic earnings per share in the future but were not included in the calculation of diluted earnings per share as they were anti-dilutive.

12 Cash flow information

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

	Consolidated Group	
	31 Dec 2019 $'000	**31 Dec 2018 $'000**
Profit/(loss) after income tax	(1,210)	6,933
Non-cash flows in profit/(loss)		
Depreciation of property, plant & equipment	6,579	6,224
Depreciation of right-of-use assets	2,154	-
Amortisation of intangible assets	58	40
Fair value adjustment on derivative instruments	(260)	(549)
Net (gain)/loss on disposal of non-current assets	(180)	(210)
Non-operating cash flow in profit/(loss)		
Effect of taxation on items directly recognised in equity	190	-
Changes in operating assets and liabilities		
(Increase)/decrease in trade and other receivables	(9,469)	13,334
(Increase)/decrease in other assets	(720)	(413)
(Increase)/decrease in inventories	(464)	988
Increase/(decrease) in trade and other payables	(2,122)	(5,358)
Increase/(decrease) in income taxes payable	(6,031)	92
Increase/(decrease) in deferred taxes payables	(559)	5,757
Increase/(decrease) in provisions	136	632
Net cash provided by/(used in) operating activities	**(11,898)**	**27,470**

13 Derivative instruments

(a) Estimation of fair values

Financial assets and liabilities that are measured at fair value in the half year financial report comprise forward foreign exchange contracts and interest rate swaps. Forward exchange contracts are measured by discounting the contractual forward price and deducting the current spot rate and for interest rate swaps broker valuations are obtained. There were no changes in valuation techniques used from the previous reporting period.

(b) Fair value hierarchy

The Company uses the following fair value measurement hierarchy to determine & measure the fair value of its financial instruments.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

	Level 1	Level 2	Level 3	Total
As at 31 December 2019	**$'000**	**$'000**	**$'000**	**$'000**
Interest rate swap contracts	-	(3,844)	-	(3,844)
Foreign exchange forward contracts	-	142	-	142
	-	**(3,702)**	**-**	**(3,702)**
As at 30 June 2019				
Interest rate swap contracts	-	(4,263)	-	(4,263)
Foreign exchange forward contracts	-	301	-	301
	-	**(3,962)**	**-**	**(3,962)**

(c) Current/Non-current split

	31 December 2019		30 June 2019	
	Current	**Non-current**	**Current**	**Non-current**
	$'000	**$'000**	**$'000**	**$'000**
Assets				
Foreign exchange forward contracts	152	-	368	-
Liabilities				
Foreign exchange forward contracts	(10)	-	(67)	-
Interest rate swap contracts	(1,537)	(2,307)	(1,407)	(2,856)
	(1,547)	**(2,307)**	**(1,474)**	**(2,856)**
Total derivative assets/(liabilities)	**(1,395)**	**(2,307)**	**(1,106)**	**(2,856)**

14 Subsequent events

To the Directors' best knowledge, there has not arisen in the interval between 31 December 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.

Wagners Holding Company Limited

Directors' declaration

In the opinion of the Directors of Wagners Holding Company Limited:

(a) the consolidated financial statements and notes are in accordance with the Corporations Act 2001, including:

   i. complying with Accounting Standards AASB 134 *Interim Financial Reporting*, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

   ii. giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Toowoomba, Queensland on 25 February 2020.

Signed in accordance with a resolution of the Directors.

Mr Denis Wagner

Chairman

Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 10, 12 Creek St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Wagners Holding Company Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Wagners Holding Company Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 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 half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2019 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit Pty Ltd

BDO

C K Henry
Director

Brisbane, 25 February 2020