# ANNUAL REPORT 2023


## INNOVATIVE | INTEGRATED | INTERNATIONAL

WAGNERS

# INSIDE THIS REPORT

This annual report gives a summary of Wagners' business activities and financial results for FY23. It is presented for the information of our shareholders and other stakeholders interested in the company's key achievements.




WAGNERS HOLDING COMPANY LIMITED ABN 49 622 632 848

# Guiding Principles: IT'S FAIR

At Wagners we strive for intrepid progress to achieve beneficial outcomes. 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

## ESTABLISHED IN 1989 IN TOOWOOMBA, QUEENSLAND, WAGNERS IS NOW AN ASX-LISTED, DIVERSIFIED PROVIDER OF CONSTRUCTION MATERIALS AND SERVICES. WE ARE INNOVATIVE, INTEGRATED AND OPERATE INTERNATIONALLY.

Through our innovation, we have developed new technologies. Our Earth Friendly Concrete® and composite products deliver bespoke solutions for our customers while reducing the impact on the environment. We are always seeking ways to differentiate our business, be more efficient, safer and environmentally responsible.

Wagners' vertically integrated business model provides security of supply and increased margins for the businesses while enabling a broad service offering to customers. Our vertical integration sees separate specialist divisions connected to support and supply materials and services on a timely and cost efficient and competitive basis.

Wagners has established itself as an international supplier of construction materials and services. Utilising our expertise and experience, our construction materials and services business has the ability to deliver major projects, globally. We also now have manufacturing facilities in the US for our US CFT operations, and the UK for our EFC® business.

### CONSTRUCTION MATERIALS AND SERVICES (CMS)

Wagners CMS segment supplies a range of construction materials and services to the construction, infrastructure and resources industries through the following businesses:

- Cement
- Concrete
- Flyash
- Aggregates
- Precast concrete
- Reinforcing steel
- Bulk haulage services
- Engineering solutions

### COMPOSITE FIBRE TECHNOLOGIES (CFT)

CFT products, designed by Wagners, are durable construction materials that are used as substitutes for other building materials, for example, steel, aluminium and timber. It is lightweight, resistant to rust, corrosion and chemical attack as well as saving hardwood resources. Our CFT products are increasingly being specified in Australia and overseas, particularly the US, for boardwalks, bridges, walkways, marinas and as cross-arms and poles for electrical distribution networks. Wagners has CFT manufacturing facilities in Australia and the US.

### EARTH FRIENDLY CONCRETE® (EFC®)

EFC®, developed by Wagners, is a class of zero cement concrete based on geopolymer technology. 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). The use of EFC® significantly reduces carbon emissions compared to concrete produced with Ordinary Portland Cement. It also has superior performance and durability compared to conventional concrete. Wagners has EFC® manufacturing facilities in Australia and the UK.

# CHAIRMAN'S REVIEW

I would like to acknowledge all shareholders and stakeholders of Wagners Holding Company Limited for your support and persistence during 2023. The first half was extremely challenging, which resulted in a detailed strategic review of all business operations, which remains ongoing. We have however enjoyed a significantly improved second half.

The construction materials industry has seen changes in both leadership and practices. These changes bode well for the long term sustainability of the sector. The industry in south east Queensland has a long pipeline ahead and it is imperative that we can adequately service the ongoing demand for our products and meet the need to build infrastructure for the future.

We have enjoyed success in growing revenue from each business unit and the work done in FY23 will give us a great platform for the next 12 months. Our construction materials business and project services division is expected to deliver strong results going forward.

This said, some challenges are still evident in some of our businesses. There are ongoing difficulties in the labour market, an issue faced by almost every employer in the country. We are working hard to ensure that our training and development programs for our employees and staff are relevant and will ultimately enhance our capability and capacity.

Another challenge we face is the acceptance of our zero cement Earth Friendly Concrete® (EFC®). We have invested significant time and resources into this technology over many years. We have absolute confidence in the technology, it is the only zero cement concrete that has been proven in large scale commercial applications in the world. It is a technology that has real potential to make a huge reduction in carbon output, reducing the $CO_2$ footprint by over 80% compared to ordinary portland cement concrete. Our challenge however is that all the commentary on net zero and the need for carbon reduction by our Governments, Institutions and large Corporations is not being followed through. The community is missing the opportunity to make a real reduction to the carbon output if it is not prepared, or incentivised to adopt carbon reducing technologies, like our EFC®.

Our position with EFC® is to reduce the ongoing investment until such time as the market demand for the benefits our technology provides is taken up. As mentioned previously, we have an unwavering confidence and a real commitment to the technology and our strategy is to hold it until the market supports it.

Our Composite Fibre Technologies business has enjoyed success in bringing new products to market. We now have a good pipeline and order book for utility poles and will enhance our production capability through FY24. Our strategy with CFT is to grow the market for existing products and focus on manufacturing and production efficiencies.

In the USA we have now established the CFT facility for the production and fabrication of pedestrian infrastructure and we intend to grow this market. We have our first pultrusion machine commissioned and operating at our facility in Cresson Texas. Our aim for FY24 will be to capitalise on the existing investment and manufacture products for the market that will provide a more consistent revenue stream.

The success of Wagners is driven by the commitment of our staff, and I would like to acknowledge all employees, executives and our Board, who positively contributed to our improved second half performance. Whilst we are still not totally satisfied with the business performance, our commitment to shareholders is that we will continue to drive efficiencies and practices that will enhance the value of Wagners.

Yours sincerely

**Denis Wagner**
CHAIRMAN

**IN THE USA WE HAVE NOW ESTABLISHED THE CFT FACILITY FOR THE PRODUCTION AND FABRICATION OF PEDESTRIAN INFRASTRUCTURE AND WE INTEND TO GROW THIS MARKET.**

## WAGNERS IS WELL-POSITIONED TO CAPITALISE ON OPPORTUNITIES WITH THE NECESSARY PLANT, EQUIPMENT AND PERSONNEL

### WELL-INVESTED, HIGH-QUALITY ASSET BASE
significant capital invested, across the supply chain – difficult to replicate

### VERTICAL INTEGRATION
enabling security of supply and increased margins

### ATTRACTIVE END MARKETS
consisting of high-quality, diversified customer base

### DISTRIBUTION FOOTPRINT
strategically-located concrete plant sites across South-East Queensland, selectively expanding

### FUNDAMENTAL DEMAND DRIVERS
ability to capitalise on global infrastructure and resources sector growth

### CULTURE OF INNOVATION
development of new products and focus on R&D, contributing to meaningful in-house expertise and IP

### AGILITY & INDEPENDENCE
greater ability to react to customer demands in flexible and timely manner

### EXPANSION & CONSOLIDATION
opportunities granting flexibility and optionality to expand both domestically & overseas

# MANAGING DIRECTOR'S UPDATE

FY23 has been a year of challenges for our business and many in the industry. The first half was particularly difficult due to the tough market conditions, cost escalations and our inability to pass on the impacts of these costs, negatively impacting margins across the business.

Pleasingly, there was improvement in our second half performance, leading to a better overall result for the full year. Improved volumes were achieved across a number of business areas, particularly in cement, steel and bulk haulage, driving the significant increase in revenue. Price rises were implemented in our cement and concrete business along with a disciplined pricing policy, delivering improved margins. We also implemented a number of cost control measures across the entire group, with the benefit of these measures starting to be realised in the last quarter of FY23.

On a consolidated basis the group delivered a revenue result of $477million, a 41% increase compared to FY22. Our reported EBIT result of $17million and Net Profit After Fax of $3.1million was disappointingly, down on the prior period, however we remain optimistic, given the improvement experienced in the second half.

Following delivery of our first half results, a thorough review of all business operations commenced. This strategic review has already delivered a number of outcomes and lead to a number of initiatives being implemented, some of which have already made a positive contribution, particularly around the disciplined pricing policies and cost reduction strategies. This strategic review will continue to ensure all businesses have appropriate operations and structures in place to deliver continued growth and positive results to all stakeholders.

## FY23 ACHIEVEMENTS

### CONSTRUCTION MATERIALS AND SERVICES

Our construction materials and services businesses, consisting of cement, precast, concrete, quarries, steel and bulk haulage delivered a 41% increase in revenue compared to FY22, with a revenue result of $415million.

The key highlights for the year were:

- **Cement** – the business delivered a 25% increase in volumes on the prior period. The first half result was impacted by increased input costs, however price increases in the second half have reduced the impact of these increases to the full year result.
- **Concrete** – after a long period of challenging market conditions impacting the business performance, the incremental improvement seen in pricing throughout the year, along with the maturity of our concrete plant network, has been positive. While strict pricing policies implemented in the business did have an impact on volumes, over a 20% increase in the average sale price compared to FY22 was achieved.
- **Precast concrete** – we commenced the production of precast concrete tunnel segments for the Sydney Metro tunnel project in the first half of FY23, with over 50% of the project now delivered. This project is a great example of the benefits our vertically integrated business provides, with value also being delivered to our cement, concrete, flyash, steel and transport businesses.
- **Steel** – the full commissioning of our Brisbane processing plant has contributed to the 25% increase in revenue. The efficiencies being delivered by our newly installed processing equipment has also resulted in improved margins.
- **Bulk Haulage** – two new long term projects were secured during the year, contributing to the 43% increase in revenue. We are now servicing nine key projects across Queensland and the Northern Territory. Driver shortages did impact the utilisation of our assets during the year. With a number of initiatives implemented on recruitment of drivers, we do expect margins to improve further.

# FY23 KEY FACTS & FIGURES

**$477M**
**GROUP REVENUE**

**$17M**
**EBIT**

**$3.1M**
**NET PROFIT AFTER TAX**

**7**
**COUNTRIES WORKED IN**

**988**
**EMPLOYEES**

### COMPOSITE FIBRE TECHNOLOGIES

Composite Fibre Technologies achieved a 41% growth in sales in FY23, with a revenue result of $59million. This revenue result was driven by strong sales across existing product lines along with a new and increasing demand for our composite utility poles.

The business did not achieve the expected EBIT result with legacy pricing on long lead projects and expenses associated with commissioning machines and finalising pole specifications, impacting margins. Similar to our concrete business, a disciplined approach is now being taken with respect to pricing, which resulted in improved margins in the last quarter and will lead to improved results moving forward.

Our US facility became fully operational during the year, which was an exciting addition to Wagners' facilities. We have welcomed a number of additions to the Wagners team based at our US facility and we are extremely optimistic about the opportunities for this business now that we have the ability to manufacture and service US markets from a local operation.

The long commissioning process of the US facility and the lagging sales cycle, has ultimately impacted the performance of our US CFT business however we expect our investment in business development activities will deliver improved results in FY24.

### EARTH FRIENDLY CONCRETE®

Our UK Manufacturing facility became operational during the year and our EFC® technology continued to be utilised in projects throughout Australia, UK and Europe.

While we continue to have confidence in our technology to deliver significant savings in carbon emissions in the built environment, we have not had the market uptake we had hoped. We have therefore reduced our investment into the business throughout the year and will continue to assess our ongoing investment, the long term structure for the business and future funding requirements for EFC®, which will be subject to the relevant market conditions.

## PEOPLE

I am extremely proud of the entire Wagners team and the contributions they have made to our business throughout the period.

FY23 has been challenging from a labour perspective. It has been difficult to recruit and retain great talent in the midst of a very competitive landscape while also providing rewarding career opportunities to all employees.

However, we are proud of the culture that we have developed within our organisation, underpinned by our "Guiding Principles". This has served us well during this period and we have an excellent team at Wagners, that ensure we can deliver on the promises we make, to our fellow employees, our customers, clients and also our boarder community and shareholders.

Employee numbers increased throughout the year, and we currently have a team of 988 employees. We continued to expand our operations geographically, with employees now working across 7 countries. We achieved an improvement in gender diversity and despite the challenging labour market, reduced our employee initiated turnover across a number of business units, compared to prior periods.

We completed our reporting under the Workplace Gender Equality Act 2012 during the year. This reporting process assists us in identifying any gender equality issues that may exist and allows us to implement action plans around promoting gender equality across our business.

We will continue to develop and implement initiatives that improve our culture and diversity in our business, provide a workplace of choice with long term and rewarding careers for all employees, however most importantly, a workplace that is committed to the safety of everyone.

## OUTLOOK

Like FY22, FY23 also produced mixed results. However, we believe the discipline we have installed in our business operations, particularly some of the outcomes from our strategic review, along with our investment in our people, assets and research and development, will provide a positive platform to leverage a number of opportunities, which will deliver improved performance in FY24.

**WE WILL CONTINUE TO DEVELOP AND IMPLEMENT INITIATIVES THAT IMPROVE OUR CULTURE AND DIVERSITY IN OUR BUSINESS, PROVIDE A WORKPLACE OF CHOICE WITH LONG TERM AND REWARDING CAREERS FOR ALL EMPLOYEES.**

Demand generally for construction materials and services in the South East Queensland sector remains strong. Similarly, demand for composite products, particularly utility poles, is expected to increase as asset owners and utility networks understand the performance benefits our product provides.

More particularly:

- We see recent growth in concrete and cement volumes to continue and with improvement in market conditions, an uplift in business performance should follow.
- A strong forward order book is already in hand across a number of our businesses, which should see growth in the number of projects already contracted.
- A favourable resources environment and robust infrastructure pipeline in South East Queensland provides significant opportunity right across the group, particularly with our vertically integrated business model.
- An increasing demand for innovative products is anticipated as industry is looking for more sustainable and cost effective options. This demand will be driven by a requirement to reduce construction costs, increase energy efficiency and improve sustainability. We see both our composite products (CFT) and Earth Friendly Concrete® (EFC®) as providing effective and sustainable solutions.

There is no doubt we have not delivered the results in past periods that our shareholders have expected. We do, however, take some confidence from the last half of FY23 and the efforts we have put into all of our business operations, management, business development and research and development, that this business will deliver improved performance. The outlook is positive, our strategy remains sound and our businesses remains well positioned to take advantage of the opportunities in our sector to deliver revenue growth and increased returns to our shareholders.

I would like to take this opportunity to thank the entire Wagners' team for the efforts throughout FY23 and look forward to working with all of you again in the future.

Thanks also to the Board of Directors, who, as always, provide valued guidance and advice with a commitment to delivering on the overall group strategy and value to all stakeholders.

**Cameron Coleman**
MANAGING DIRECTOR

# DIRECTORS' REPORT

The Directors of Wagners Holding Company Limited (Wagners, the 'Company') and its controlled entities (the 'Group' or 'Consolidated Entity'), present their report together with the consolidated financial statements for the year ended 30 June 2023.

## DIRECTORS

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

| DIRECTOR | ROLE | DATE OF APPOINTMENT | DATE OF RESIGNATION |
|---|---|---|---|
| Denis Wagner | Non-executive Chairman | 2 November 2017 | |
| John Wagner | Non-executive Director | 2 November 2017 | |
| Lynda O'Grady | Non-executive Director | 8 November 2017 | |
| Ross Walker | Non-executive Director | 2 November 2017 | |
| Cameron Coleman | Managing Director | 1 July 2022 | |

| ALTERNATE DIRECTOR | ROLE | DATE OF APPOINTMENT | |
|---|---|---|---|
| Joseph Wagner | Non-executive Director | 13 March 2018 | 24 March 2023 |

## PRINCIPAL ACTIVITIES

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

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

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

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There are no other significant changes in the state of affairs that impact the Consolidated Entity for the year ended 30 June 2023.

## DIVIDENDS

No dividends were paid during the 2022 and 2023 financial years.

# DIRECTORS' REPORT

## Operating and financial review

### Group financial results

Net profit after tax (NPAT) of $3,123k was achieved in FY23 (30 June 2022: $7,632k).

#### Non-IFRS measures

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

#### Financial year 2023 operating results

Operating results for the financial year ended 30 June 2023 (FY23) are summarised in table 1 below with the following presentation adjustments to allow shareholders to assess the Group's performance:

- Separating the EFC® operating results from the Group's Earnings before Interest & Tax (EBIT), providing users with the ability to assess Group operating performance outside of the significant investment being made in the EFC® business. All line items above *Operating earnings before interest and tax (Operating EBIT)* shown in table 1 below have EFC® impact removed, with the *Operating revenue & Operating EBIT* reconciling back to the Operating segment note.
- Separating the fair value changes on derivatives & impairment of trade receivable in the Group's EBIT, as management consider this to be a more appropriate reflection to assess Group operating performance.

# DIRECTORS' REPORT

**Operating and financial review (continued)**

**Group financial results (continued)**

**Financial year 2023 operating results (continued)**

| TABLE 1: FY23 RESULTS COMPARED TO THE PRIOR FINANCIAL YEAR | 30 JUN 2023 $'000 | 30 JUN 2022 $'000 |
|---|---|---|
| Revenue | 475,092 | 336,663 |
| Direct material and cartage costs | (227,445) | (153,592) |
| Other attributable costs[1] | (128,073) | (80,658) |
| **Gross profit[1]** | **119,574** *25.2%* | **102,413** *30.4%* |
| Other income | 1,862 | 1,863 |
| Repairs and maintenance | (41,249) | (32,902) |
| Other operating expenses | (30,201) | (25,686) |
| **Operating earnings before interest, tax, depreciation and amortisation** | **49,986** *10.5%* | **45,688** *13.6%* |
| Depreciation & amortisation | (28,076) | (24,258) |
| **Operating earnings before interest and tax** | **21,910** *4.6%* | **21,430** *6.4%* |
| EFC® — Earnings before interest and tax | (4,010) | (3,205) |
| Impairment of Trade Receivables | (153) | (512) |
| Fair value adjustment on derivative instruments | (744) | 3,252 |
| **Earnings before interest and tax** | **17,003** | **20,965** |
| Net finance costs | (11,472) | (10,505) |
| **Net profit before tax** | **5,531** | **10,460** |
| Income tax expense | (2,408) | (2,828) |
| **Net profit after tax** | **3,123** | **7,632** |

1 Other attributable costs are those that management consider provide a better reflection of the Group's underlying Gross Profit. This is a non-IFRS, unaudited measure. Within the consolidated statement of profit or loss and other comprehensive income, $15,107k is included within contract work and purchased services (2022: $7,244k), $76,599k is included within employee benefits (2022: $50,077k), $20,549k is included within transport and travel expenses ($12,893k) and $15,818k is included within other expenses (2021: $10,444k).

FY23 showed strong growth in revenue across most business units. While sales have improved compared to FY22, margins have been impacted by both increased costs and a delay in timing to increase sales prices to recover the increased costs. There was improvement in the margins in the second half of FY23, although overall margins were lower than in FY22.

Increased repairs and maintenance costs mainly due to higher spend on aging bulk transport fleet assets and the annual shutdown of our Cement plant grinding facilities.

Other operating expenses have increased with the largest contributor being higher electricity consumption for the Sydney Metro Tunnel project at our precast facility, the remaining increase reflects the impact of higher cost inflation throughout the period.

# DIRECTORS' REPORT

**Operating and financial review (continued)**

**Group financial results (continued)**

## Operating results by segment

| | 30 JUN 2023 | | 30 JUN 2022 | | CHANGE | |
|---|---|---|---|---|---|---|
| **SEGMENT ($'000)** | **REVENUE** | **EBIT** | **REVENUE** | **EBIT** | **REVENUE** | **EBIT** |
| Construction, Materials and Services | 415,685 | 36,350 | 294,218 | 31,858 | 121,467 | 4,492 |
| Composite Fibre Technologies | 59,244 | (1,921) | 41,853 | 1,947 | 17,391 | (3,868) |
| EFC® — Carbon Reducing Technologies | 360 | (4,010) | 188 | (3,205) | 172 | (805) |
| Other/Eliminations | 163 | (13,416) | 592 | (9,635) | (429) | (3,781) |
| **Total** | **475,452** | **17,003** | **336,851** | **20,965** | **138,601** | **(3,962)** |

### CONSTRUCTION MATERIALS AND SERVICES

Construction Materials and Services achieved an overall revenue growth of 41% in FY23.

Cement volumes increased 25% from both existing and new customers. Shipping and fuel costs were significantly higher in FY23. Due to contractual arrangements, not all incremental costs were able to be recovered from customers during the period. However, there was significant traction with price increases where possible.

Concrete revenues increased due to the increase in selling price by over 20% in FY23, which was partially offset by a 5% reduction in volume due to the disciplined pricing approach adopted in FY23.

Precast had a significant increase in revenue as a result of the Sydney Metro tunnel segment project which commenced during FY23. While there were delays with commencement of the project, impacting the first half's result, the project was in full production for the second half of FY23.

Steel revenue has grown by over 29%, with a 20% increase in volumes with a full year of operations from the processing plant servicing the Brisbane market.

Transport revenue also had a significant increase on the prior year, with new projects commencing late in first half of FY23. Margins were impacted from the increased maintenance costs and start up costs of new contracts secured throughout the period. The under utilisation of assets due to industry wide driver shortages also impacted the results.

The completion of a large, long term crushing project, together with a reduction in sales from our North-West Queensland quarry operation, due to flood recovery works not replicated in FY23, resulted in lower sales in the Contract Crushing and Quarries business compared to FY22.

# DIRECTORS' REPORT

**Operating and financial review (continued)**
**Group financial results (continued)**
**Operating results by segment (continued)**

### COMPOSITE FIBRE TECHNOLOGIES

Composite Fibre Technologies revenues increased by 41% mostly from custom build and new products. However, the result was impacted by additional investment into Research and Development and business establishment costs in the USA. Margins were impacted due to material cost increases not passed on to customers with historical fixed price contracts.

In Australia:

- Crossarm sales were consistent with FY22.
- FY23 saw the first sales of composite utility poles into the electrical distribution market in Australia and a number of contracts secured for the ongoing and future supply of poles into that market.
- Custom build sales improved in FY23, however, delivery of projects at appropriate margins has been challenging, due to historical fixed priced contracts.

In the USA:

- The long commissioning process of the facility and the lagging sales cycles meant the business was unable to achieve the level of sales required from available capacity, resulting in an EBIT loss of $2.4 million.
- There was continued investment in business development activities throughout the period and the establishment of a focused sales and marketing campaign, which should deliver improved results in FY24.

### EFC® — CARBON REDUCING TECHNOLOGIES

The EFC® loss reflects the increased spend in the first half of FY23 prior to the decision to reduce expenditure and focus on increasing the utilisation of the existing assets to prove the product and business at a reasonable commercial level.

While the Board remains confident in the ability of the technology to deliver significant savings in carbon emissions in the built environment, the political and market landscape are yet to attribute or promote the value this technology provides the environment. This has directly resulted in a much longer delay than anticipated in the market uptake or demand for the product. For this reason, the operation of the business must reflect the current market demand for the product, which at this time, is limited, notwithstanding its environmental and performance benefits. Appropriate reductions in the ongoing operating costs therefore were made during the period.

The Company will continue to assess its investment in EFC® and the long term structure and ongoing funding requirements for the business.

### OTHER

Other mostly represents corporate related income and costs. The higher net costs in FY23 is due to change in the fair value adjustment on the derivative instruments, which have been impacted by the lower AUD/USD exchange rates.

# DIRECTORS' REPORT

**Operating and financial review (continued)**

**Group financial results (continued)**

FINANCIAL POSITION

| | 30 JUN 2023 $'000 | 30 JUN 2022 $'000 | CHANGE $'000 |
|---|---|---|---|
| Current assets | 152,386 | 128,576 | 23,810 |
| Non-current assets | 298,285 | 265,881 | 32,404 |
| Total assets | 450,671 | 394,457 | 56,214 |
| | | | |
| Current liabilities | 110,658 | 100,691 | 9,967 |
| Non-current liabilities | 216,034 | 172,866 | 43,168 |
| Total liabilities | 326,692 | 273,557 | 53,135 |
| | | | |
| **Net assets/(liabilities)** | **123,979** | **120,900** | **3,079** |

Current assets increased in FY23 mostly due to an increase in trade receivables in line with the increased sales in FY23. This has been partially offset by a reduction in inventories as quantities increased in FY22 following supply chain disruptions.

Non-current assets have increased due to the increase in the carrying value of Right of Use Assets that have increased due to the CPI increases applied to long term leases throughout FY23.

Current Liabilities have increased due to:

- Higher trade creditors associated with general business.
- Increased Right of Use liabilities associated with the increased leases due to CPI increases in FY23.

Non-current liabilities have increased due to:

- Increased borrowings to fund increase in working capital.
- Increased Right of Use liabilities due to increased CPI on existing leases.

# DIRECTORS' REPORT

**Operating and financial review (continued)**

## Strategy and future prospects

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

- Growing and consolidating Wagners core vertically integrated Construction Materials and Services Business in Australia. The Company remains committed to this strategy through the expansion of its concrete plant and quarry networks in South East Queensland, subject to the prevailing market conditions.
- Growing Wagners CFT business through product development, a focussed marketing and sales strategy, and the expansion of manufacturing facilities domestically and internationally to support the market growth.
- Pursuit of major project opportunities, domestically and internationally, utilising the existing expertise and experience in our Constructions Materials and Services Business.

In terms of the FY24 Outlook, improved market conditions experienced in the second half of FY23 are expected to continue. With respect to the individual business areas:

### Construction Materials and Services

- **Cement:** Strong cement volumes are expected to continue throughout FY24 through increased activity in the SEQ construction sector. Some of the increased clinker and shipping cost experienced in FY23 are expected to soften in FY24, coupled with a forecasted increase in volumes, should deliver improved results in FY24.
- **Concrete plants:** the Group will continue to improve the performance of its ready-mix concrete plant network to service the high level of activity in the SEQ construction market. Volumes are expected to increase from the existing plant network together with increased selling pricing flowing through from FY23.
- **Precast:** segment production will continue for the Sydney Metro project in this first half, with completion of the project expected in the second half. The business will pursue other opportunities to follow on from the Sydney Metro project, with a dedicated business development team working on this.
- **Contract crushing and quarries:** There is a strong pipeline of contract crushing opportunities identified. The business remains focused on securing a number of these opportunities to replace the long term, high margin, crushing project that was completed in FY23. With one large crushing project currently underway, the timing of the award of other projects is key to the business delivering improved performance in FY24. Given the significant capital upgrades at our Wellcamp and Castlereagh Quarries, improved margins are expected as the production capacity and efficiencies are realised.
- **Transport:** new contracts secured in the Group's bulk haulage business along with investment in assets to service secured contracts will deliver increased revenue, productivity and resulting margins.

### Composite Fibre Technologies (CFT):

- In Australia, the focus for FY24 is:
  - Achieve improved margins from the crossarm product range with the full utilisation of our Crossarm Automation Line
  - Develop and service an increased market demand for composite utility poles
  - Continue with the disciplined approach to pricing in the custom build area, delivering improved profitability.
- In the US, increased sales are expected as a result of the current marketing and sales campaign underway. To date, the focus in the US has been on the custom build or pedestrian infrastructure. The planned additional production line will provide the business with significant opportunities to service new markets in addition to custom build, for example, the supply of utility poles into electricity networks in the US.

### Earth Friendly Concrete® (EFC®):

- The business has significantly reduced its operational and R&D costs associated with EFC® and will continue to assess the investment in EFC®, the long term structure and ongoing funding requirements for the business.

# DIRECTORS' REPORT

**Operating and financial review (continued)**

## Material risks and risk management strategy

There are a number of risks and uncertainties which could have an impact on the Group's long-term performance and cause actual results to differ materially from expected and historical results. The Directors seek to identify material risks and put in place policies and procedures to mitigate any exposure. The following table provides details of the key risks and the approach being taken to manage them.

| RISK | POTENTIAL ADVERSE IMPACT | MITIGATION |
|---|---|---|
| Health and safety | Failure to manage health and safety risks could cause harm to our employees or those around us and expose the Group to significant potential disruption, regulatory breaches, liabilities and reputational damage. | Safety remains a top priority. We target an accident-free environment and have robust policies in place covering expected levels of performance, responsibilities, communications, controls, reporting, monitoring and review.<br><br>We safeguard the health and safety of employees, contractors and others working on behalf of the Group, with experienced health and safety professionals who provide relevant training and help develop a strong culture alongside the management teams; all of which is overseen and audited by our Group HSEQ Manager and the support of consultants where necessary.<br><br>We are constantly improving communication and reporting across the Group through simple and effective systems and processes, including our HSE Reporting and Monitoring software and monthly Group safety & environment meetings |
| Cost inflation | The Group is susceptible to significant increases in the price of raw materials, utilities, fuel oil and haulage costs and decreases in availability.<br><br>Risks exist around our ability to pass on increased costs through price increases to our customers and would have an adverse effect on margins if unable to do so. | The Group seeks to manage our costs by putting in place a strategic procurement plan to minimise key supplier risks and seek to offset rising commodity prices through tactical supplier pricing strategies and programmes.<br><br>The Group aims to maintain a group of suppliers such that we avoid becoming dependent on any single supplier, although like some of our own markets, parts of our supply chain are highly consolidated and as such alternative suppliers may be scarce.<br><br>Rigorous commercial management reviews of contracts for appropriateness given prevailing market conditions, including inflation pressures & supply shortages that may increase costs to execute. |

# DIRECTORS' REPORT

**Operating and financial review (continued)**

**Strategy and future prospects (continued)**

| RISK | POTENTIAL ADVERSE IMPACT | MITIGATION |
|---|---|---|
| Environment and Climate change | There is a risk that environmental issues or the effects of climate change could expose the Group to regulatory breaches, significant disruption, reputational risk, or a reduction in demand for our products.<br><br>Periods of extreme weather have the potential to adversely impact the Group's performance through interruption to operations, disruption to the workforce with associated declines in productivity, increase in costs to execute and lower fixed cost recovery. | Management, training, and control systems are in place to identify potential issues and prevent environmental incidents.<br><br>The Group recognises the positive impact that several of our products have on the built environment across their lifespan and are eager for the durability, longevity and lower lifecycle carbon footprint of our products to be championed and better understood.<br><br>Transitional risks include increasing regulatory burden or cost, the inability to adapt with new regulations, or customer preferences changing more rapidly than anticipated.<br><br>The Groups ambition to reduce its impact upon the environment sits hand-in-hand with maximising the financial performance of the business; through increasing the sales of its environmentally friendly products and also investing in modernising our production facilities that will reduce energy consumption and waste. |
| Attracting, retaining and developing employees | The Group recognise that its greatest asset is its workforce and a failure to attract, retain and develop talent will be detrimental to Group performance.<br><br>The availability of labour, with risks around core skills, demographics, capability and changing working patterns has become a key differentiator in the market. This has led to high competition for talent with skill shortages in certain areas. | The Group understands where key person dependencies and skills gaps exist and continue to develop succession, talent acquisition, and retention plans.<br><br>Employee support, strong communication and employee engagement remain focus areas and the Group continues to investigate further improvements to its HR and payroll systems.<br><br>The Group is committed to provide a workplace that prioritises inclusion, supports the health and wellbeing of our people, and provides opportunities for their professional growth and development. |

# DIRECTORS' REPORT

## ENVIRONMENT REGULATION

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

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

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

## 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/.

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

## 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 36 and forms part of the Directors' Report for financial year ended 30 June 2023.

## NON-AUDIT SERVICES

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

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

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| Other assurance services | 2,725 | 4,500 |
| Tax compliance, advisory and other services | – | 8,515 |
| | **2,725** | **13,515** |

## ROUNDING

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

## PROCEEDINGS ON BEHALF OF COMPANY

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

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

## EVENTS OCCURRING AFTER THE REPORTING DATE

The directors of the Company are not aware of any other matter or circumstance not otherwise dealt with in the financial report that significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs in the period subsequent to the financial year ended 30 June 2023.

# 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 over the coming decade. This will provide significant benefit to the construction materials and services offered by the Group, and will also provide opportunities for the use of composite products (CFT) and potentially Earth Friendly Concrete® (EFC®).

The establishment of permanent concrete plants in South East Queensland, with seven currently operational and two greenfield sites identified, delivers on the Group's concrete strategy previously reported. This, together with the development of a greenfield quarry site acquired in South East Queensland strengthens the Group's position as a supplier of construction materials in this market.

### Composite Fibre Technologies

The international expansion of CFT into USA remains a focus. Subject to the anticipated increase in demand being realised, a duplicated production line is planned which will increase production capacity from the Groups first US CFT facility in Texas. This increased production capacity will also allow the Group to competitively tender for international contracts and service new markets, for example, the supply of utility poles into electricity networks.

Following the commissioning of two new pultrusion machines and a crossarm automation line at the Group's Queensland manufacturing facility, the business is now positioned to deliver increased margins from a rapidly growing revenue base.

### Earth Friendly Concrete®

The Company will continue to assess its investment in EFC® and the long term structure and ongoing funding requirements for the business.

# DIRECTORS' REPORT

## SHARES UNDER PERFORMANCE RIGHTS

Unissued ordinary shares of the Company under performances at the date of this report are as follows:

| | | | | | | | | MOVEMENTS | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| CALENDAR YEAR ISSUED | TRANCHE | GRANT DATE | VESTING DATE | EXPIRY DATE | GRANT DATE FAIR VALUE | VESTING CONDITIONS | PERFORMANCE PERIOD | 1 JULY 2022 | ISSUED | EXERCISED | EXPIRED/ FORFEITED[2] | 30 JUNE 2023 |
| 2022 | 1 | 20/09/2022 | 30/09/2025 | 20/09/2027 | $0.08 | FY23 SP | 1 year[1] | – | 758,937 | – | (118,529) | **640,408** |
| 2022 | 2 | 20/09/2022 | 30/09/2025 | 20/09/2027 | $0.12 | FY24 SP | 2 years[1] | – | 758,937 | – | (118,529) | **640,408** |
| 2022 | 3 | 20/09/2022 | 30/09/2025 | 20/09/2027 | $0.15 | FY25 SP | 3 years[1] | – | 758,937 | – | (118,529) | **640,408** |
| 2021 | 1 | 26/11/2021 | 31/08/2022 | 26/11/2026 | $1.42 | FY22 EPS | 1 year | 276,095 | – | – | (45,358) | **230,737** |
| 2021 | 2 | 26/11/2021 | 31/08/2023 | 26/11/2026 | $1.39 | FY23 EPS | 2 years | 276,095 | – | – | (45,358) | **230,737** |
| 2021 | 3 | 26/11/2021 | 31/08/2024 | 26/11/2026 | $1.37 | FY24 EPS | 3 years | 276,095 | – | – | (45,358) | **230,737** |
| 2021 | 1A | 26/11/2021 | 31/08/2022 | 26/11/2024 | $1.42 | FY22 EPS | 1 year | 438,064 | – | – | (438,064) | **–** |
| 2021 | 1B | 26/11/2021 | 31/08/2022 | 26/11/2025 | $1.42 | FY22 EPS | 1 year | 405,486 | – | – | (77,328) | **328,158** |
| 2021 | 2A | 26/11/2021 | 31/08/2023 | 26/11/2025 | $1.39 | FY23 EPS | 2 years | 608,225 | – | – | (115,991) | **492,234** |
| 2020 | 1 | 19/11/2020 | 31/08/2021 | 19/11/2025 | $1.41 | FY21 EPS | 1 year | 202,739 | – | – | (38,664) | **164,075** |
| 2020 | 2 | 19/11/2020 | 31/08/2022 | 19/11/2025 | $1.39 | FY22EPS | 2 years | 405,486 | – | – | (77,328) | **328,158** |
| 2020 | 3 | 19/11/2020 | 31/08/2023 | 19/11/2025 | $1.34 | FY23 EPS | 3 years | 405,486 | – | – | (77,328) | **328,158** |
| 2019 | 1 | 20/11/2019 | 31/08/2020 | 20/11/2024 | $1.88 | FY20 EPS | 1 year | 219,031 | – | – | (219,031) | **–** |
| 2019 | 3 | 20/11/2019 | 31/08/2022 | 20/11/2024 | $1.78 | FY22 EPS | 3 years | 219,031 | – | – | (219,031) | **–** |
| | | | | | | | | **3,731,833** | **2,276,811** | **–** | **(1,754,426)** | **4,254,218** |

1 The options granted on 20 September 2022 have a vesting date that is three years from the offer date, or 30 September 2025, whichever is later. Whilst each tranche has a respective performance period of 1 to 3 years, the vesting date is taken as 30 September 2025.

There have been no movements from balance date to the date of this report.

Details of performance rights granted to key management personnel are disclosed on page 34.

# 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. |
| **Other current directorships** | None |
| **Former directorships (last 3 years)** | None |
| **Special responsibilities** | Chair of Nomination Committee and Member of Remuneration Committee |
| **Interests in shares** | 37,343,188 Ordinary shares* |
| **Interests in options** | None |
| **Interests in rights** | None |
| **Contractual rights to shares** | None |

| | |
|---|---|
| **NAME** | **CAMERON COLEMAN** |
| **Title** | Managing Director |
| **Experience and expertise** | Cameron is currently the Managing Director of Wagners, commencing his employment with the Company over 25 year ago. Cameron has experience across all areas of the business, having held various management roles across a number of different business. He now overseas almost 1,000 employees across Australia, New Zealand, UK, USA, Malaysia and UAE. Cameron completed the General Management Program at Harvard Business School in 2012. |
| **Other current directorships** | None |
| **Former directorships (last 3 years)** | None |
| **Interests in shares** | 167,057 Ordinary shares |
| **Interests in options** | 867,824 |
| **Interests in rights** | None |
| **Contractual rights to shares** | None |

# DIRECTORS' REPORT

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

| | |
|---|---|
| **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. |
| **Other current directorships** | None |
| **Former directorships (last 3 years)** | None |
| **Special responsibilities** | Member of Audit and Risk Committee |
| **Interests in shares** | 36,614,431 Ordinary shares* |
| **Interests in options** | None |
| **Interests in rights** | None |
| **Contractual rights to shares** | None |

| | |
|---|---|
| **NAME** | **ROSS WALKER** |
| **Title** | Independent, Non-executive Director |
| **Qualifications** | BCom, FCA |
| **Experience and expertise** | Ross is a Chartered Accountant, with more the 30 years' corporate and accounting experience, and a former managing partner of accounting and consulting firm, Pitcher Partners Brisbane. |
| **Other current directorships** | RPM Global Limited (ASX: RUL) (Appointed in 2008), Sovereign Cloud Holdings Limited (ASX: SOV) (Appointed in 2017) |
| **Former directorships (last 3 years)** | None |
| **Special responsibilities** | Chair of Audit and Risk Committee and Member of Nomination Committee |
| **Interests in shares** | 200,000 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** | **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 a member of the Advisory Board of Jamieson Coote Bonds. |
| **Other current directorships** | Domino's Pizza Enterprises Limited (ASX: DMP) (Appointed in 2015), Rubicon Water Ltd (ASX: RWL) (Appointed in 2021), AVANT Group (Appointed in 2019) & Musica Viva Australia (Appointed in 2018) |
| **Former directorships (last 3 years)** | None |
| **Special responsibilities** | Member of Nomination Committee and Audit and Risk Committee and Chair Remuneration Committee |
| **Interests in shares** | 50,000 Ordinary shares |
| **Interests in options** | None |
| **Interests in rights** | None |
| **Contractual rights to shares** | None |

| | |
|---|---|
| **NAME** | **KAREN BROWN** |
| **Title** | Company Secretary |
| **Qualifications** | LLB, BCom |
| **Experience and expertise** | Karen is a solicitor of the Supreme Court of Queensland and was appointed as General Counsel and Company Secretary to Wagners in December 2017. Karen has over 20 years' experience in the legal sector, and is a former partner of Carter Newell Lawyers. |

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

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

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

* Includes interest in 14,201,056 shares held by Wagner Property Operations Pty Ltd.

# DIRECTORS' REPORT

## DIRECTORS' MEETINGS

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2023, and the number of meetings attended by each Director were:

| | FULL BOARD MEETINGS | | AUDIT & RISK COMMITTEE MEETINGS | | REMUNERATION COMMITTEE MEETINGS | | NOMINATION COMMITTEE MEETINGS | |
|---|---|---|---|---|---|---|---|---|
| | HELD | ATTENDED | HELD | ATTENDED | HELD | ATTENDED | HELD | ATTENDED |
| Denis Wagner | 12 | 12 | 2 | 2 | 2 | 2 | – | – |
| John Wagner* | 12 | 8 | 2 | 1 | 2 | – | – | – |
| Ross Walker | 12 | 12 | 2 | 2 | 2 | 2 | – | – |
| Lynda O'Grady | 12 | 12 | 2 | 2 | 2 | 2 | – | – |
| Cameron Coleman | 12 | 12 | 2 | 2 | 2 | 2 | – | – |
| Joseph Wagner* | 3 | 3 | – | – | – | – | – | – |

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

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

# 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 2023.

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 2023:

| NAME | ROLE | TERMS AS KMP |
|---|---|---|
| **NON-EXECUTIVE DIRECTORS** | | |
| Denis Wagner | Non-executive Chairman | Full financial year |
| John Wagner | Non-executive Director | Full financial year |
| Lynda O'Grady | Non-executive Director | Full financial year |
| Ross Walker | Non-executive Director | Full financial year |
| **SENIOR EXECUTIVES** | **ROLE** | **TERMS AS KMP** |
| Cameron Coleman | Chief Executive Officer ('CEO') | Full financial year |
| Fergus Hume | Chief Financial Officer ('CFO') | Full financial year |

# REMUNERATION REPORT (AUDITED)

## 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.

The Remuneration Committee's functions include:

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

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

## 3 EXECUTIVE REMUNERATION POLICY AND PRACTICES

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

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

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

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

### (a) Fixed remuneration

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

Fixed remuneration is comprised of base salary, salary sacrificed non-monetary benefits, annual & long service leave and employer superannuation contributions, in line with statutory obligations.

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

# REMUNERATION REPORT (AUDITED)

**3 Executive remuneration policy and practices (continued)**

## (b) Short-term incentive plan

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

Non-executive Directors are not entitled to participate in the STI. Key employees 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 Earnings before Interest and Taxes (EBIT) has been assessed as the most suitable measure of financial performance for the STI, as EBIT aligns the Group's operating profit performance to the incentive attainable.

The following table outlines the key features of the STI Plan for the financial year ended 30 June 2023:

| | | |
|---|---|---|
| **PARTICIPANTS** | All KMP executives | |
| **PERFORMANCE PERIOD** | Financial year ending 30 June 2023 | |
| **PERFORMANCE TARGET** | Performance was measured against a target EBIT, being the Group's operational budgeted EBIT, approved and ratified by the Board. | |
| **OPPORTUNITY**[1] | **TARGET EBIT ACHIEVED** | **% OF BASE SALARY** |
| | <90% | 0% |
| | 90% | 12.5% |
| | 100% | 25% |
| | 110% | 37.5% |
| | 120% | 50% |
| **PERFORMANCE RESULTS** | The Group did not achieve the reported EBIT result for the financial period, as such the Group STI performance target was not met. | |
| **PAYMENT METHOD** | 100% of STI earned will be payable by way of cash in two equal tranches, over one year.<br>Other than in certain circumstances, if the employee ceases employment with the Group, any tranches earned that have not yet been paid will be forfeited. | |

1 Where EBIT falls between target EBIT ranges, then % of Base Salary will be calculated on a pro rata basis between the upper and lower percentages of that range. Note that the STI payments are capped at a maximum of 50% of base salary.

# REMUNERATION REPORT (AUDITED)

**3 Executive remuneration policy and practices (continued)**

## (c) Long-term incentive plan

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

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

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

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

The following page provides the key details and movements of all key management personnel performance rights applicable to the financial year ended 30 June 2023.

# REMUNERATION REPORT (AUDITED)

**3 Executive remuneration policy and practices (continued)**

**(c) Long-term incentive plan (continued)**

| | | | | | | | | MOVEMENTS | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| CALENDAR YEAR ISSUED | TRANCHE | GRANT DATE | VESTING DATE | EXPIRY DATE | GRANT DATE FAIR VALUE | VESTING CONDITIONS | PERFORMANCE PERIOD[1] | 1 JULY 2022 | ISSUED | EXERCISED | EXPIRED/ FORFEITED[2] | 30 JUNE 2023 |
| 2022 | 1 | 20/09/2022 | 30/09/2025 | 20/09/2027 | $0.08 | FY23 SP[3] | 1 year | – | 197,162 | – | – | 197,162 |
| 2022 | 2 | 20/09/2022 | 30/09/2025 | 20/09/2027 | $0.12 | FY24 SP[4] | 2 years | – | 197,162 | – | – | 197,162 |
| 2022 | 3 | 20/09/2022 | 30/09/2025 | 20/09/2027 | $0.15 | FY25 SP[5] | 3 years | – | 197,162 | – | – | 197,162 |
| 2021 | 1 | 26/11/2021 | 31/08/2022 | 26/11/2026 | $1.42 | FY22 EPS[6] | 1 year | 74,861 | – | – | – | 74,861 |
| 2021 | 2 | 26/11/2021 | 31/08/2023 | 26/11/2026 | $1.39 | FY23 EPS[6] | 2 years | 74,861 | – | – | – | 74,861 |
| 2021 | 3 | 26/11/2021 | 31/08/2024 | 26/11/2026 | $1.37 | FY24 EPS[6] | 3 years | 74,861 | – | – | – | 74,861 |
| 2021 | 1A | 26/11/2021 | 31/08/2022 | 26/11/2024 | $1.42 | FY22 EPS[6] | 1 year | 148,149 | – | – | (148,149) | – |
| 2021 | 1B | 26/11/2021 | 31/08/2022 | 26/11/2025 | $1.42 | FY22 EPS[6] | 1 year | 120,120 | – | – | – | 120,120 |
| 2021 | 2A | 26/11/2021 | 31/08/2023 | 26/11/2025 | $1.39 | FY23 EPS[6] | 2 years | 180,179 | – | – | – | 180,179 |
| 2020 | 1 | 19/11/2020 | 31/08/2021 | 19/11/2025 | $1.41 | FY21 EPS[7] | 1 year | 60,059 | – | – | – | 60,059 |
| 2020 | 2 | 19/11/2020 | 31/08/2022 | 19/11/2025 | $1.39 | FY22EPS[7] | 2 years | 120,120 | – | – | – | 120,120 |
| 2020 | 3 | 19/11/2020 | 31/08/2023 | 19/11/2025 | $1.34 | FY23 EPS[7] | 3 years | 120,120 | – | – | – | 120,120 |
| 2019 | 1 | 20/11/2019 | 31/08/2020 | 20/11/2024 | $1.88 | FY20 EPS[8] | 1 year | 74,075 | – | – | (74,075) | – |
| 2019 | 3 | 20/11/2019 | 31/08/2022 | 20/11/2024 | $1.78 | FY22 EPS[8] | 3 years | 74,074 | – | – | (74,074) | – |
| | | | | | | | | **1,121,479** | **591,486** | **–** | **(296,298)** | **1,416,667** |

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

2 Where options of a particular calendar year offer have not met all vesting conditions, they will be forfeited in the financial year that the final vesting date of that offer has passed, therefore any the remaining options with a final vesting condition of FY23 will be forfeited in FY24.

3 The 10-working day volume weighted average price (VWAP) of the Wagners share price, after the release of the financial results for the period ended 30 June 2023, must be equal to or exceed $1.85.

4 The 10-working day VWAP of the Wagners share price, after the release of the financial results for the period ended 30 June 2024, must be equal to or exceed $2.50.

5 The 10-working day VWAP of the Wagners share price, after the release of the financial results for the period ended 30 June 2025, must be equal to or exceed $2.95.

6 Offer Earnings Per Share (Offer EPS), based on earnings excluding the EFC® investment (Operating EPS).

7 Offer Earnings Per Share (Offer EPS).

8 Amended earnings per share (Amended EPS).

# REMUNERATION REPORT (AUDITED)

**3 Executive remuneration policy and practices (continued)**

**(c) Long-term incentive plan (continued)**

**2022 ISSUED PERFORMANCE RIGHTS**

| | | |
|---|---|---|
| 1 | **VESTING DATES** | 30 September 2025 |
| 2 | **VESTING CONDITIONS** | **TRANCHE 1**<br>The 10-working day volume weighted average price (VWAP) of the Wagners share price, after the release of the financial results for the period ended 30 June 2023, must be equal to or exceed $1.85<br><br>**TRANCHE 2**<br>The 10-working day VWAP of the Wagners share price, after the release of the financial results for the period ended 30 June 2024, must be equal to or exceed $2.50<br><br>**TRANCHE 3**<br>The 10-working day VWAP of the Wagners share price, after the release of the financial results for the period ended 30 June 2025, must be equal to or exceed $2.95<br><br>**ADDITIONAL VESTING TERMS**<br>The participant must be still employed at the Vesting Date for any options to be eligible to be vested. |
| 3 | **EXPIRY DATE** | 5 years from the date the Performance rights were issued. |

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

## 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 $115,000 per annum and Directors may also be reimbursed for all travelling and other expenses incurred in connection with their Company duties. Non-executive Chairman fees are $230,000 per annum.

# REMUNERATION REPORT (AUDITED)

## 5 OVERVIEW OF GROUP PERFORMANCE

The relationship between remuneration policy and Group performance is assessed for the current year and the prior four financial years.

| | 30 JUN 2023 | 30 JUN 2022 | 30 JUN 2021 | 30 JUN 2020 | 30 JUN 2019 |
|---|---|---|---|---|---|
| Revenue ($'000) | 475,452 | 336,851 | 320,650 | 249,668 | 236,888 |
| EBITDA ($'000)[1] | 45,272 | 45,379 | 48,280 | 27,614 | 37,893 |
| EBIT ($'000)[1] | 17,003 | 20,965 | 25,398 | 8,627 | 24,850 |
| NPAT ($'000) | 3,123 | 7,659 | 10,001 | (17) | 12,779 |
| Dividends paid (cents per share) | 0.0 | 0.0 | 0.0 | 0.0 | 5.7 |
| Basic Earnings per share (cents) | 1.7 | 4.1 | 5.3 | (0.0) | 7.9 |
| Share price movement (cents per share) | (31) | (101) | 111 | (69) | (254) |

1 EBITDA (Earnings before interest, tax, depreciation and amortisation) & EBIT (earnings before interest and tax) are both non-IFRS measures and are unaudited.

## 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[1] | ANNUAL BASE SALARY (EXCLUSIVE OF SUPERANNUATION) $ |
|---|---|---|---|---|---|
| Cameron Coleman | CEO | Unlimited | 12 months (Wagner's notice)/ 6 months (employee's notice) | Applicable notice period | 588,511 |
| Fergus Hume | CFO | Unlimited | 6 months | Notice period | 377,505 |

1 Termination payments are based on base salary, including superannuation.

# 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 the Group's EBIT for the financial year ended 30 June 2023 was:

| EXECUTIVE KMP | MAXIMUM 'AT-RISK' | % OF MAXIMUM STI AWARDED/PAYABLE | % OF STI FORFEITED | ESTIMATE OF MAXIMUM TOTAL VALUE $ |
|---|---|---|---|---|
| Cameron Coleman | 50% of base salary | 0% | 100% | – |
| Fergus Hume | 50% of base salary | 0% | 100% | – |

### b) Director & executive KMP remuneration

Details of the remuneration of Directors and other key management personnel of the Company in respect to their terms as a KMP outlined above, for the financial years ended 30 June 2023 & 30 June 2022 are set out in the tables on the following pages:

| | SHORT-TERM | | | POST-EMPLOYMENT | LONG-TERM | EQUITY BASED BENEFITS | | |
|---|---|---|---|---|---|---|---|---|
| FINANCIAL YEAR ENDED 30 JUNE 2023 | SALARY AND FEES[1] $ | STI AWARDED[2] $ | NON-CASH BENEFITS[5] $ | SUPER-ANNUATION $ | LONG SERVICE LEAVE[3] $ | SHARE BASED PAYMENTS[4] $ | TOTAL REMUNERATION $ | PERFORMANCE RELATED % |
| **Non-executive Directors** | | | | | | | | |
| Denis Wagner | 230,000 | – | – | – | – | – | 230,000 | – |
| John Wagner | 115,000 | – | – | – | – | – | 115,000 | – |
| Lynda O'Grady | 115,000 | – | – | – | – | – | 115,000 | – |
| Ross Walker | 115,000 | – | – | – | – | – | 115,000 | – |
| **Executive KMP's** | | | | | | | | |
| Cameron Coleman | 586,754 | – | 8,546 | 27,500 | 59,511 | (17,819) | 664,492 | (2.68%) |
| Fergus Hume | 405,938 | – | 14,280 | 27,500 | 14,583 | (10,576) | 451,725 | (2.34%) |
| **Total Directors' and Executive remuneration** | **1,567,692** | **–** | **22,826** | **55,000** | **74,094** | **(28,395)** | **1,691,217** | **(1.68%)** |

1 Amount includes the movement in annual leave provision during the year applicable to KMP.

2 STI bonus is for performance during the respective financial year using the criteria set out on page 32. STI's awarded is paid in two equal tranches over a one-year period, with outstanding amounts forfeited should the employee terminate their contract. The STI will be payable in the 2023 financial year.

3 Amount includes the value of long service leave accrued during the year.

4 This reflects the value of issued performance rights expected to meet the hurdle rates and those that have vested, an overall credit was recognised due to:

– In the 2023 financial year, there was a reversal of prior recognised values after tranches with hurdle conditions relating to this financial year were not achieved, the profit or loss impact of these reversals was a credit of ($81,578).

– Hurdle conditions for 2024 financial year were reassessed to be achieved and along with the recognition of market condition performance rights issued in 2022, the profit or loss impact was an expense totalling $53,183.

5 Non-cash benefits relates to motor vehicle allowance.

6 Salary & fees for Fergus Hume is higher than the reported base salary in section 6 due to amounts in excess of super guarantee limit paid in lieu of cash.

# REMUNERATION REPORT (AUDITED)

**7 Details of remuneration (continued)**

**(b) Director & executive KMP remuneration (continued)**

| FINANCIAL YEAR ENDED 30 JUNE 2022 | SHORT-TERM | | | POST-EMPLOYMENT | LONG-TERM | EQUITY BASED BENEFITS | | |
|---|---|---|---|---|---|---|---|---|
| | SALARY AND FEES[1] $ | STI AWARDED[2] $ | NON-CASH BENEFITS[5] $ | SUPER-ANNUATION $ | LONG SERVICE LEAVE[3] $ | SHARE BASED PAYMENTS[4] $ | TOTAL REMUNERATION $ | PERFORMANCE RELATED % |
| **Non-executive Directors** | | | | | | | | |
| Denis Wagner | 215,000 | – | – | – | – | – | 215,000 | – |
| John Wagner | 107,500 | – | – | – | – | – | 107,500 | – |
| Lynda O'Grady | 107,500 | – | – | – | – | – | 107,500 | – |
| Ross Walker | 107,500 | – | – | – | – | – | 107,500 | – |
| **Executive KMP's** | | | | | | | | |
| Cameron Coleman | 551,118 | 141,744 | 12,602 | 27,500 | 10,779 | 58,246 | 801,989 | 24.9% |
| Fergus Hume | 369,525 | 99,221 | 21,808 | 27,340 | 11,824 | 37,004 | 566,722 | 24.0% |
| **Total Directors' and Executive remuneration** | **1,458,143** | **240,965** | **34,410** | **54,840** | **22,603** | **95,250** | **1,906,211** | **17.6%** |

1 Amount includes the movement in annual leave provision during the year applicable to KMP.

2 STI bonus is for performance during the respective financial year using the criteria set out on page 32. STI's awarded is paid in two equal tranches over a one-year period, with outstanding amounts forfeited should the employee terminate their contract.

3 Amount includes the value of long service leave accrued during the year.

4 This reflects the value of performance rights issued in 2019 & 2020 expected to meet the hurdle rates.

5 Non-cash benefits relates to motor vehicle allowance.

# REMUNERATION REPORT (AUDITED)

## 8 EQUITY INSTRUMENTS HELD BY KEY MANAGEMENT PERSONNEL

### (a) Ordinary shares

The movement in number of ordinary shares in Wagners Holding Company Limited held directly, indirectly, or beneficially, by each key management person during the 2023 financial year, is as follows:

| KEY MANAGEMENT PERSON | OPENING BALANCE | PURCHASES ON MARKET | PURCHASES OFF MARKET | LTI RIGHTS EXERCISED | SHARE DISPOSALS | CLOSING BALANCE |
|---|---|---|---|---|---|---|
| Denis Wagner | 36,411,189 | 931,999 | – | – | – | 37,343,188 |
| John Wagner | 36,614,431 | – | – | – | – | 36,614,431 |
| Lynda O'Grady[1] | 50,000 | – | – | – | – | 50,000 |
| Ross Walker | 117,713 | 82,287 | – | – | – | 200,000 |
| Cameron Coleman | 167,057 | – | – | – | – | 167,057 |
| Fergus Hume | 52,014 | – | – | – | – | 52,014 |

1 The closing balance includes 28,598 shares held by Lynda O'Grady's spouse.

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

The following LTI performance rights were issued during the financial year ended 30 June 2023 (2022: 673,031).

| | MOVEMENTS | | | | |
|---|---|---|---|---|---|
| KEY MANAGEMENT PERSON | 1 JULY 2022 | GRANTED | EXERCISED | EXPIRED/FORFEITED | 30 JUNE 2023 |
| Cameron Coleman | 692,668 | 360,342 | – | (185,186) | 867,824 |
| Fergus Hume | 428,811 | 231,144 | – | (111,112) | 548,843 |

No performance rights were exercisable at 30 June 2023 (2022: none).

The total values of the LTI performance rights granted during the financial year for the key management personnel were as follows:

| KEY MANAGEMENT PERSON | 30 JUN 2023 $ | 30 JUN 2022 $ |
|---|---|---|
| Cameron Coleman | 294,256 | 578,690 |
| Fergus Hume | 188,753 | 365,620 |

# REMUNERATION REPORT (AUDITED)

## 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 2023.

### (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. The below table summarises the transactions with the Group and related companies that are controlled by Directors Denis Wagner and John Wagner. There were no other related party transactions with other Directors' of KMP's.

| DESCRIPTION | 2023 REVENUE/(COST) $ | 2023 OWED/(OWING)[2] $ | 2022 REVENUE/(COSTS) $ | 2022 OWED/(OWING) $ |
|---|---|---|---|---|
| Sale of materials and services | 3,634,884 | 425,178 | 6,903,548 | 1,621,824 |
| Payments for rent of property and plant[2] | (7,071,498) | – | (5,893,136) | – |
| Payments for material royalties, wharfage & other | (2,343,526) | (91,328) | (1,514,871) | (91,328) |
| **Totals** | **(5,780,140)** | **333,850** | **(504,459)** | **1,530,496** |

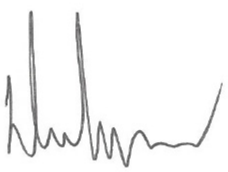
1 Amounts owed/ (owing) are included within current trade receivables and current trade payables respectively.

2 Payments for rent of property and plant relate to the following right–of–use assets and lease liabilities being recognised:

| | 30 JUN 2023 $ | 30 JUN 2022 $ |
|---|---|---|
| Right-of-use asset | 119,827,585 | 99,159,859 |
| Lease liability | (133,283,427) | (108,621,959) |

**This ends the Audited Remuneration Report.**

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



MR DENIS WAGNER

**Chairman**

Dated at Toowoomba, Queensland on 21 August 2023.

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Australia

**DECLARATION OF INDEPENDENCE BY D P WRIGHT TO THE DIRECTORS OF WAGNERS HOLDING COMPANY LIMITED**

As lead auditor of Wagners Holding Company Limited for the year ended 30 June 2023, 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 year.

**D P Wright**
Director

**BDO Audit Pty Ltd**

Brisbane, 21 August 2023

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 30 JUNE 2023

| | NOTE | 30 JUN 2023 $'000 | 30 JUN 2022 $'000 |
|---|---|---|---|
| Revenue from contracts with customers | 3(a) | 475,452 | 336,851 |
| Other income | 3(b) | 1,874 | 1,863 |
| Direct material and cartage costs | | (227,889) | (153,734) |
| Employee benefits expense | 4(a) | (96,421) | (68,325) |
| Depreciation — right–of–use assets | 10(a) | (8,021) | (6,498) |
| Depreciation and amortisation expense — other | 9(a)+11(a) | (20,248) | (17,916) |
| Finance costs — lease liabilities | 15 | (5,591) | (4,408) |
| Net finance cost — other | 4(b) | (5,881) | (6,097) |
| Contract work and purchased services | | (23,153) | (13,860) |
| Repairs and maintenance | | (41,249) | (32,902) |
| Transport and travel | | (20,549) | (12,893) |
| Fair value adjustment on derivative instruments | 16 | (744) | 3,252 |
| Impairment of trade receivables — gain/(loss) | 7(a) | (153) | (512) |
| Other expenses | 4(c) | (21,896) | (14,361) |
| **Profit before income tax** | | **5,531** | **10,460** |
| Income tax expense | 5 | (2,408) | (2,828) |
| **Profit attributable to equity holders of the parent** | | **3,123** | **7,632** |
| | | | |
| 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 | 19 | 58 | (12) |
| | | 58 | (12) |
| **Total comprehensive income attributable to equity holders of the parent** | | **3,181** | **7,620** |

| EARNINGS PER SHARE | | CENTS | CENTS |
|---|---|---|---|
| Basic earnings per share | 21 | 1.7 | 4.1 |
| Diluted earnings per share | 21 | 1.6 | 4.0 |

The accompanying notes form part of these financial statements

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## AS AT 30 JUNE 2023

| | NOTE | 30 JUN 2023 $'000 | 30 JUN 2022 $'000 |
|---|---|---|---|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 6 | 11,363 | 12,200 |
| Trade and other receivables | 7 | 95,148 | 64,989 |
| Inventories | 8 | 41,255 | 50,340 |
| Derivative instruments | 16 | 1,257 | 42 |
| Current tax assets | | 1,899 | – |
| Other assets | | 1,464 | 1,005 |
| **Total Current Assets** | | **152,386** | **128,576** |
| NON-CURRENT ASSETS | | | |
| Other financial assets | | 7 | 7 |
| Property, plant and equipment | 9 | 163,617 | 158,590 |
| Right-of-use assets | 10 | 130,439 | 100,545 |
| Intangible assets | 11 | 2,164 | 2,283 |
| Deferred tax assets | 12 | 2,058 | 4,456 |
| **Total Non-current Assets** | | **298,285** | **265,881** |
| **TOTAL ASSETS** | | **450,671** | **394,457** |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 13 | 64,523 | 59,309 |
| Borrowings | 14 | 23,026 | 24,908 |
| Lease liabilities | 15 | 10,404 | 7,233 |
| Derivative instruments | 16 | 2,643 | 684 |
| Current tax liabilities | | – | 71 |
| Provisions | 17 | 10,062 | 8,486 |
| **Total Current Liabilities** | | **110,658** | **100,691** |
| NON-CURRENT LIABILITIES | | | |
| Borrowings | 14 | 81,712 | 69,388 |
| Lease liabilities | 15 | 133,712 | 102,858 |
| Derivative instruments | 16 | – | – |
| Provisions | 17 | 610 | 620 |
| **Total Non-current Liabilities** | | **216,034** | **172,866** |
| **TOTAL LIABILITIES** | | **326,692** | **273,577** |
| **NET ASSETS** | | **123,979** | **120,900** |
| EQUITY | | | |
| Issued capital | 18 | 411,564 | 411,564 |
| Pre IPO distributions to related entities | | (354,613) | (354,613) |
| Reserves | 19 | (30) | 14 |
| Retained earnings | | 67,058 | 63,935 |
| **TOTAL EQUITY** | | **123,979** | **120,900** |

The accompanying notes form part of these financial statements

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 30 JUNE 2023

| | NOTE | SHARE CAPITAL $'000 | PRE IPO DISTRIBUTIONS TO RELATED ENTITIES $'000 | RESERVES $'000 | RETAINED EARNINGS $'000 | TOTAL $'000 |
|---|---|---|---|---|---|---|
| **Balance at 1 July 2021** | | **410,915** | **(354,613)** | **386** | **56,265** | **112,953** |
| Profit for the financial year 30 June 2022 | | – | – | – | 7,632 | 7,632 |
| Exchange differences from translation of foreign controlled entities, net of tax | | – | – | (12) | – | (12) |
| **Total comprehensive income for the financial year** | | **–** | **–** | **(12)** | **7,632** | **7,620** |
| *Transactions with owners in their capacity as owners:* | | | | | | |
| – Recognition of share-based payments | 19(a) | – | – | 327 | – | 327 |
| – New shares issued (net of share issue costs) | | 649 | – | (687) | 38 | – |
| **Balance at 30 June 2022** | | **411,564** | **(354,613)** | **14** | **63,935** | **120,900** |
| Profit for the financial year 30 June 2023 | | – | – | – | 3,123 | 3,123 |
| Exchange differences from translation of foreign controlled entities, net of tax | | – | – | 58 | – | 58 |
| **Total comprehensive income for the financial year** | | **–** | **–** | **58** | **3,123** | **3,181** |
| *Transactions with owners in their capacity as owners:* | | | | | | |
| – Recognition of share-based payments | 19(a) | – | – | (102) | – | (102) |
| – Exercise of employee performance rights | 18(b), 19(a) | – | – | – | – | – |
| **Balance at 30 June 2023** | | **411,564** | **(354,613)** | **(30)** | **67,058** | **123,979** |

The accompanying notes form part of these financial statements

# CONSOLIDATED STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 30 JUNE 2023

| | NOTE | 30 JUN 2023 $'000 | 30 JUN 2022 $'000 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers (inclusive of GST) | | 489,973 | 354,089 |
| Payments to suppliers and employees (inclusive of GST) | | (460,366) | (339,585) |
| Interest received | | – | 36 |
| Dividends received | | 691 | 1,104 |
| Finance costs | | (11,523) | (10,400) |
| Income tax paid | | (1,980) | (1,373) |
| **Net cash provided by operating activities** | 22(a) | **16,795** | **3,871** |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Proceeds from sale of property, plant and equipment | | 1,135 | 420 |
| Payments for property, plant and equipment | | (15,151) | (23,975) |
| Payments for acquired businesses | | – | – |
| **Net cash used in investing activities** | | **(14,016)** | **(23,555)** |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from borrowings | 22(b) | 14,044 | 26,679 |
| Proceeds from share issue | 18 | – | 649 |
| Repayment of lease liabilities | 22(b) | (3,890) | (3,148) |
| Repayment of borrowings | 22(b) | (13,829) | (14,555) |
| **Net cash (used in)/provided by financing activities** | | **(3,675)** | **9,625** |
| **Net increase/(decrease) in cash and cash equivalents** | | **(896)** | **(10,059)** |
| Cash at beginning of financial year | | 12,200 | 22,240 |
| Effect of currency translation on cash and cash equivalents | | 59 | 19 |
| **CASH AT END OF FINANCIAL YEAR** | 6 | **11,363** | **12,200** |

The accompanying notes form part of these financial statements

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2023

## 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of Wagners Holding Company Limited and its subsidiaries (together, the 'Group' or 'Consolidated Entity') for the year ended 30 June 2023 were authorised for issue in accordance with a resolution of the directors on 21 August 2023.

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) New and revised accounting standards adoption

There were no new or revised accounting standards adopted that had any impact on the group's accounting policies and required retrospective adjustments.

#### (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:

ALLOWANCE FOR EXPECTED CREDIT LOSSES

The allowance for expected credit losses assessment for trade receivables and contract assets requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, the impact of current economic conditions and forward-looking information that is available. Refer to note 10 for further information.

ESTIMATION OF USEFUL LIVES OF ASSETS

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down. There was no adjustment required to the estimated useful lives of any assets during the financial year (2022: no adjustment).

IMPAIRMENT OF NON-FINANCIAL ASSETS

The consolidated entity assesses impairment of non-financial assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions using information available at the reporting date. No impairment indicators were identified.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2023

**1 Statement of Significant Accounting Policies (continued)**
**(a) Basis of preparation (continued)**
**(iii) Critical accounting estimates and judgements (continued)**

INCREMENTAL BORROWING RATE

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the consolidated entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

LEASE TERM

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

PERFORMANCE RIGHTS

The consolidated entity measures the cost of equity settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black Scholes model while taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions used include share price volatility, interest rates and vesting periods, refer to Note 26 for further information.

### (b) Principles of consolidation

#### Subsidiaries

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

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

### (c) Revenue recognition

#### Sale of materials and goods

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

Sale of construction and new generation building materials contains only one performance obligation, with revenue recognised at the point in time when the material or good is transferred to the customer, with payment terms typically 30 days end of month.

#### 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, with payment terms typically between 30-60 days end of month.

INFRASTRUCTURE & MINING PROJECT SERVICES

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2023



CONSTRUCTION CONTRACTS

For fixed-price construction contracts, mainly concerning the Group's 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.

For precast infrastructure projects, revenue is recognised over time based on the output method, being segments produced as a proportion of the total segments to be delivered.

### Dividends and interest

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

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

### 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 trade receivables when these have been certified or invoiced to a customer. Contract liabilities arise where payment is received prior to work being performed.

## (d) Financial instruments

### Classification

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

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

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

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

### Measurement

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2023

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

DEBT INSTRUMENTS

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

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

### Impairment

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

### Derivatives

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risks and interest rate risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

## (e) Income tax

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

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

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

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

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

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

### Tax consolidation group

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

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

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

## (f) Earnings per share

### (i) Basic earnings per share

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

### (ii) Diluted earnings per share

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

## (g) Inventories

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

## (h) Intangibles

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2023

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

### (i) Property, plant and equipment

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

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

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

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

#### Depreciation

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

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

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

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

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

### (j) Impairment of non-financial assets

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

### (k) Business combinations and goodwill

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2023

**1 Statement of Significant Accounting Policies (continued)**
**(k) Business combinations and goodwill (continued)**

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 profit or loss as a bargain purchase.

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

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

### (l) Foreign currency transactions and balances

#### (i) Functional and presentation currency

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

#### (ii) Transactions and balances

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

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

#### (iii) Group companies

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

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

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

### (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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2023

**1 Statement of Significant Accounting Policies (continued)**
**(m) Employee benefits (continued)**

### (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 10.5% of the employee's average ordinary salary, to the employee's superannuation fund of choice. All superannuation guarantee contributions are recognised as an expense when they become payable. All obligations for unpaid superannuation guarantee contributions at the end of the reporting period are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the Group's statement of financial position.

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

### (iv) Termination benefits

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

### (v) Short-term incentive scheme

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the earnings of the Group 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2023

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

### (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 where those cashflows represent solely payments of principal and interest 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.

### (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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2023

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

### (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. Investments in subsidiaries are carried at cost.

### (x) Leases

As a lessee, the Group recognises right-of-use assets and lease liabilities for most leases in the Consolidated Statement of Financial Position, representing its obligation to make lease payments.

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.

The Group has elected not to recognise right-of-use assets and lease liabilities for leases with terms less than twelve months with no renewal options, 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.

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

New accounting standards and interpretations have been issued by the AASB that are not yet mandatory for the 30 June 2023 reporting periods and have not been early adopted by the Group. The Group has assessed the impact of these new standards and interpretations and does not expect that there would be any material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2023

### 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 three 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.
- **Composite Fibre Technology (CFT):** provides an innovative and environmentally sustainable new generation building material, Composite Fibre Technology (CFT).
- **Earth Friendly Concrete® (EFC®):** provides an innovative and environmentally sustainable new generation building material, Earth Friendly Concrete® (EFC®) technology.

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2023

**2 Segment reporting (continued)**

### Reconciliations of reportable segment revenues & profit or loss

| YEAR ENDED 30 JUNE 2023 | CMS $'000 | CFT $'000 | EFC® $'000 | CORPORATE $'000 | TOTAL $'000 |
|---|---|---|---|---|---|
| Segment revenue | 433,472 | 59,244 | 395 | 3,201 | 496,312 |
| Inter-segment elimination | (17,787) | – | (35) | (3,038) | (20,860) |
| **Revenue from contracts with customers** | **415,685** | **59,244** | **360** | **163** | **475,452** |
| Other income | 958 | 6 | 12 | 898 | 1,874 |
| **Total revenue for the year** | **416,643** | **59,250** | **372** | **1,061** | **477,326** |
| **Profit/(loss) before interest & income tax** | **36,350** | **(1,921)** | **(4,010)** | **(13,416)** | **17,003** |
| Finance costs | | | | | (11,472) |
| Interest income | | | | | – |
| Income tax expense | | | | | (2,408) |
| **Profit for the year** | | | | | **3,123** |

| YEAR ENDED 30 JUNE 2022 | CMS $'000 | CFT $'000 | EFC® $'000 | CORPORATE $'000 | TOTAL $'000 |
|---|---|---|---|---|---|
| Segment revenue | 307,971 | 41,889 | 377 | 1,822 | 352,060 |
| Inter-segment elimination | (13,753) | (36) | (189) | (1,230) | (15,208) |
| **Revenue from contracts with customers** | **294,218** | **41,853** | **188** | **592** | **336,851** |
| Other income | 1,595 | – | – | 268 | 1,863 |
| **Total revenue for the year** | **295,813** | **41,853** | **188** | **860** | **338,714** |
| **Profit/(loss) before interest & income tax** | **31,858** | **1,947** | **(3,205)** | **(9,635)** | **20,965** |
| Finance costs | | | | | (10,541) |
| Interest income | | | | | 36 |
| Income tax expense | | | | | (2,828) |
| **Profit for the year** | | | | | **7,632** |

### Major customers

The Group has a number of customers to whom it provides both materials and services. The Group supplies one external customer (2022: two) in the CMS segment who accounts for 12% of external revenue (2022: 22%).

### Geographical information

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2023

## 3 INCOME

### (a) Revenue from contracts with customers

| | 30 JUN 2023 $'000 | 30 JUN 2022 $'000 |
|---|---|---|
| Sale of goods | 358,375 | 244,714 |
| Sale of services | 117,077 | 92,137 |
| **Total revenue from contracts with customers** | **475,452** | **336,851** |

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

| | 30 JUN 2023 $'000 | 30 JUN 2022 $'000 |
|---|---|---|
| Profit on sale of property, plant and equipment | 913 | 238 |
| Dividends received | 691 | 1,104 |
| Rent and hire received | 237 | 178 |
| Other income | 33 | 343 |
| **Total other income** | **1,874** | **1,863** |

### (c) Disaggregation of revenue

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

| | 30 JUN 2023 | | | | 30 JUN 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | CMS $'000 | CFT $'000 | EFC® $'000 | CORPORATE $'000 | CMS $'000 | CFT $'000 | EFC® $'000 | CORPORATE $'000 |
| AUSTRALIA | | | | | | | | |
| – Point-in-time | 346,420 | 22,617 | 149 | 163 | 292,523 | 19,120 | 58 | 592 |
| – Over-time | 70,415 | 26,173 | – | – | 1,560 | 16,555 | – | – |
| UNITED STATES OF AMERICA | | | | | | | | |
| – Over-time | – | 5,168 | – | – | – | 4,176 | – | – |
| NEW ZEALAND | | | | | | | | |
| – Point-in-time | – | 2,550 | – | – | – | 1,054 | – | – |
| – Over-time | – | 2,736 | – | – | – | 948 | – | – |
| UNITED KINGDOM | | | | | | | | |
| – Point-in-time | – | – | 211 | – | – | – | 130 | |
| PNG & MALAYSIA | | | | | | | | |
| – Point-in-time | – | – | – | – | 135 | – | – | – |
| **Total point-in-time** | **346,420** | **25,167** | **360** | **163** | **292,658** | **17,610** | **188** | **592** |
| **Total over-time** | **70,415** | **34,077** | **–** | **–** | **1,560** | **24,243** | **–** | **–** |
| **Revenue from contracts** | **415,685** | **59,244** | **360** | **163** | **294,218** | **41,853** | **188** | **592** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2023

### 4 PROFIT OR LOSS ITEMS

Profit for the following year included the following specific items:

#### (a) Expenses

| | NOTE | 30 JUN 2023 $'000 | 30 JUN 2022 $'000 |
|---|---|---|---|
| Employee benefits expense (i) | | 88,604 | 62,627 |
| Defined contributions plans (ii) | | 7,920 | 5,371 |
| Performance rights expense (iii) | 26 | (102) | 327 |

(i) Employee benefits has increased in the period. This excludes the Group's defined contributions paid for its employees (ii) and performance rights (iii).

(ii) Defined contributions plan is the compulsory superannuation payable on employee salaries and wages.

(iii) Performance rights expense is recognised based on probability of vesting conditions being met.

#### (b) Net finance costs

| | 30 JUN 2023 $'000 | 30 JUN 2022 $'000 |
|---|---|---|
| Interest income | – | (36) |
| Interest costs and facility fees | 6,151 | 4,337 |
| Other finance costs/(income) | (270) | 1,796 |
| | **5,881** | **6,097** |

#### (c) Other expenses

| | 30 JUN 2023 $'000 | 30 JUN 2022 $'000 |
|---|---|---|
| Rent & hire costs | 12,250 | 7,120 |
| Freight & postal costs | 3,343 | 3,278 |
| Other expenses | 6,303 | 3,963 |
| | **21,896** | **14,361** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2023

## 5 INCOME TAX

### (a) Income tax expense

| | CONSOLIDATED GROUP | |
|---|---|---|
| | 30 JUN 2023 $'000 | 30 JUN 2022 $'000 |
| The components of income tax expense comprise: | | |
| Current tax on profits for the year | – | 339 |
| Adjustments for current tax of prior periods | – | – |
| Deferred tax expense/(benefit) | 2,408 | 2,489 |
| | **2,408** | **2,828** |

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

| | 30 JUN 2023 $'000 | 30 JUN 2022 $'000 |
|---|---|---|
| **Profit before income tax expense** | **5,531** | **10,460** |
| Prima facie tax payable using Australian tax rate of 30% (2022: 30%) | 1,659 | 3,138 |
| *Adjusted for:* | | |
| – Foreign tax rate differential | 251 | 45 |
| – Current year tax losses and temporary differences not brought to account | 655 | 254 |
| – Foreign exchange impacts on tax expense | 18 | – |
| – Other net non-deductible/(non-assessable) items | (175) | (264) |
| – Under/(over) provision from prior years | – | (345) |
| **Income tax expense** | **2,408** | **2,828** |

## 6 CASH AND CASH EQUIVALENTS

| | 30 JUN 2023 $'000 | 30 JUN 2022 $'000 |
|---|---|---|
| Cash on hand | 7 | 8 |
| Cash at bank | 11,356 | 12,192 |
| | **11,363** | **12,200** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2023

### 7 TRADE AND OTHER RECEIVABLES

| | 30 JUN 2023 $'000 | 30 JUN 2022 $'000 |
|---|---|---|
| CURRENT | | |
| Trade receivables | 83,250 | 65,338 |
| Provision for expected credit loss of trade receivables | (1,314) | (1,161) |
| | **81,936** | **64,177** |
| Contract assets (i) | 13,107 | 614 |
| Other receivables | 105 | 198 |
| | **95,148** | **64,989** |

(i) Contract assets increased due mainly to the Sydney Metro Precast contract in the financial year ended 30 June 2023.

### (a) Provision for expected credit losses of trade receivables

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

| | 30 JUN 2023 $'000 | 30 JUN 2022 $'000 |
|---|---|---|
| Balance at beginning of period | 1,161 | 759 |
| – Impairment expense recognised during the year | 153 | 512 |
| – Receivables (written off)/recouped during the year as uncollectable | – | (110) |
| **Balance at end of period** | **1,314** | **1,161** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2023

**7 Trade and other receivables (continued)**

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

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

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

| TRADE RECEIVABLE AGEING AS AT 30 JUNE 2023 | EXPECTED LOSS RATE | GROSS TRADE RECEIVABLE AND CONTRACT ASSET $'000 | LOSS ALLOWANCE $'000 |
|---|---|---|---|
| Current[1] | 0.5% | 72,471 | 361 |
| 1 to 30 days past current | 1.0% | 15,868 | 159 |
| 31 to 60 days past current | 5.0% | 1,730 | 88 |
| 61 to 90 days past current | 20.0% | – | – |
| 90+ days past current | 50.0% | 1,378 | 706 |
| Contract assets | 0% | 4,910 | – |
| **Balance at end of period** | | **96,357** | **1,314** |

| TRADE RECEIVABLE AGEING AS AT 30 JUNE 2022 | EXPECTED LOSS RATE | GROSS TRADE RECEIVABLE AND CONTRACT ASSET $'000 | LOSS ALLOWANCE $'000 |
|---|---|---|---|
| Current[1] | 0.5% | 43,029 | 215 |
| 1 to 30 days past current | 1.0% | 18,805 | 188 |
| 31 to 60 days past current | 5.0% | 1,994 | 100 |
| 61 to 90 days past current | 20.0% | 339 | 72 |
| 90+ days past current | 50.0% | 1,171 | 586 |
| Contract assets | 0 % | 614 | – |
| **Balance at end of period** | | **65,952** | **1,161** |

1 Current is defined as per the payment terms disclosed in note 1(c), being a combination of 30 and 60 day terms.

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 current trade receivables are a reasonable approximation of the loss rates for the contract assets.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2023

**7 Trade and other receivables (continued)**

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

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

The Group has not adjusted its expected loss rate in the financial year ended 30 June 2023 due to it seeing no current trend with its customers extending outside payment terms. In addition, the Group foresees continued significant Government backed spending in the construction and infrastructure sectors in the coming financial periods, particularly in Southeast Queensland.

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

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

## 8 INVENTORIES

| | 30 JUN 2023 $'000 | 30 JUN 2022 $'000 |
|---|---|---|
| AT COST | | |
| Raw materials and stores | 24,263 | 28,343 |
| Work in progress | 518 | 153 |
| Finished goods | 16,474 | 21,844 |
| | **41,255** | **50,340** |

The Group recognised $142.091 million of inventory through profit or loss for the financial year ending 30 June 2023 (2022: $109.086 million).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2023

## 9 PROPERTY, PLANT & EQUIPMENT

| | 30 JUN 2023 $'000 | 30 JUN 2022 $'000 |
|---|---|---|
| LAND IMPROVEMENTS & BUILDINGS | | |
| Land improvements & buildings — at cost | 27,427 | 22,268 |
| Less accumulated depreciation | (7,075) | (6,416) |
| | **20,352** | **15,852** |
| PLANT & EQUIPMENT | | |
| Plant & equipment — at cost | 187,844 | 173,413 |
| Less accumulated depreciation | (93,995) | (83,333) |
| | **93,849** | **90,080** |
| MOTOR VEHICLES | | |
| Motor vehicles — at cost | 67,844 | 58,952 |
| Less accumulated depreciation | (38,628) | (31,766) |
| | **29,216** | **27,186** |
| ASSETS UNDER CONSTRUCTION — AT COST | **20,200** | **25,472** |
| **Total property, plant & equipment** | **163,617** | **158,590** |

### (a) Movements in carrying amounts

| FINANCIAL YEAR ENDED 30 JUNE 2023 $'000 | LAND IMPROVEMENTS & BUILDINGS | PLANT & EQUIPMENT | MOTOR VEHICLES | ASSETS UNDER CONSTRUCTION | TOTAL |
|---|---|---|---|---|---|
| Opening net book value | 15,852 | 90,080 | 27,186 | 25,472 | 158,590 |
| Additions | (1,419) | 5,292 | 8,273 | 13,232 | 25,378 |
| Transfers from under construction | 6,578 | 9,753 | 2,173 | (18,504) | – |
| Transfers between classes | – | 119 | (119) | – | – |
| Exchange differences | – | – | – | – | – |
| Depreciation | (659) | (11,376) | (8,094) | – | (20,129) |
| Disposals | – | (19) | (203) | – | (222) |
| **Closing net book value** | **20,352** | **93,849** | **29,216** | **20,200** | **163,617** |

| FINANCIAL YEAR ENDED 30 JUNE 2022 $'000 | | | | | |
|---|---|---|---|---|---|
| Opening net book value | 16,509 | 81,144 | 25,593 | 18,262 | 141,508 |
| Additions | – | 5,573 | 8,543 | 20,944 | 35,060 |
| Transfers from under construction | 37 | 13,078 | 619 | (13,734) | – |
| Transfers between classes | – | 233 | (233) | – | – |
| Exchange differences | – | 5 | – | – | 5 |
| Depreciation | (694) | (9,865) | (7,243) | – | (17,802) |
| Disposals | – | (88) | (93) | – | (181) |
| **Closing net book value** | **15,852** | **90,080** | **27,186** | **25,472** | **158,590** |

As at 30 June 2023 the value of the Group's assets pledged as security was $24,290,242 (2022: $19,167,347).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2023

### 10 RIGHT-OF-USE ASSETS

| | 30 JUN 2023 $'000 | 30 JUN 2022 $'000 |
|---|---|---|
| Land & buildings | 153,647 | 115,731 |
| Less accumulated depreciation | (23,208) | (15,186) |
| **Total right-of-use assets** | **130,439** | **100,545** |

#### (a) Movements in carrying amounts

| | 30 JUN 2023 $'000 | 30 JUN 2022 $'000 |
|---|---|---|
| LAND & BUILDINGS | | |
| Opening net book value 1 July 2021 | 100,545 | 93,739 |
| Additions | – | 2,049 |
| Modifications | 37,915 | 11,255 |
| Depreciation to profit or loss | (8,021) | (6,498) |
| **Closing net book value** | **130,439** | **100,545** |

### 11 INTANGIBLE ASSETS

| | 30 JUN 2023 $'000 | 30 JUN 2022 $'000 |
|---|---|---|
| LICENCES | | |
| Licences — at cost | 2,740 | 2,740 |
| Less accumulated amortisation | (576) | (457) |
| | **2,164** | **2,283** |
| **Total intangible assets** | **2,164** | **2,283** |

#### (a) Movements in carrying amounts

| | 30 JUN 2023 $'000 | 30 JUN 2022 $'000 |
|---|---|---|
| LICENCES | | |
| Opening net book value | 2,283 | 2,402 |
| Amortisation | (119) | (119) |
| **Closing net book value** | **2,164** | **2,283** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

## 12 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 2023 | 30 JUN 2022 | 30 JUN 2023 | 30 JUN 2022 | 30 JUN 2023 | 30 JUN 2022 |
| Inventories | – | 1 | (251) | (306) | (251) | (305) |
| Property, plant & equipment | – | – | (8,356) | (3,923) | (8,356) | (3,923) |
| Expected credit loss | 352 | 339 | – | – | 352 | 339 |
| Employee benefits | 3,257 | 2,901 | – | – | 3,257 | 2,901 |
| Derivative financial instruments | 794 | 206 | (377) | (16) | 417 | 190 |
| Provisions | 508 | 235 | – | – | 508 | 235 |
| Leases | 43,236 | 33,027 | (39,131) | (30,163) | 4,105 | 2,864 |
| Contract liabilities | 1,968 | 2,036 | – | – | 1,968 | 2,036 |
| Contract assets | – | – | (1,513) | (224) | (1,513) | (224) |
| Share based payments | 55 | 70 | – | – | 55 | 70 |
| Tax losses | 1,016 | – | – | – | 1,016 | – |
| Other items | 688 | 465 | (188) | (192) | 500 | 273 |
| Deferred tax assets/(liabilities) | 51,874 | 39,280 | (49,816) | (34,824) | 2,058 | 4,456 |
| Set off deferred taxes | (49,816) | (34,824) | 49,816 | 34,824 | – | – |
| **Net deferred tax assets** | **2,058** | **4,456** | **–** | **–** | **2,058** | **4,456** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2023

**12 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 2023<br>$'000 | OPENING BALANCE | CHARGED TO INCOME | CHARGED TO EQUITY | EXCHANGE DIFFERENCES | CLOSING BALANCE |
|---|---|---|---|---|---|
| Inventories | (305) | 54 | – | – | (251) |
| Property, plant & equipment | (3,923) | (4,433) | – | – | (8,356) |
| Expected credit loss | 339 | 13 | – | – | 352 |
| Employee benefits | 2,901 | 356 | – | – | 3,257 |
| Derivative financial instruments | 190 | 227 | – | – | 417 |
| Provisions | 235 | 273 | – | – | 508 |
| Leases | 2,864 | 1,241 | – | – | 4,105 |
| Contract liabilities | 2,036 | (68) | – | – | 1,968 |
| Contract assets | (224) | (1,289) | – | – | (1,513) |
| Share based payments | 70 | (15) | – | – | 55 |
| Tax losses | – | 1,016 | – | – | 1,016 |
| Other items | 273 | 227 | – | – | 500 |
| **Net deferred tax assets** | **4,456** | **(2,398)** | **–** | **–** | **2,058** |

| YEAR ENDED 30 JUNE 2022<br>$'000 | OPENING BALANCE | CHARGED TO INCOME | CHARGED TO EQUITY | EXCHANGE DIFFERENCES | CLOSING BALANCE |
|---|---|---|---|---|---|
| Inventories | (118) | (187) | – | – | (305) |
| Property, plant & equipment | (554) | (3,369) | – | – | (3,923) |
| Expected credit loss | 227 | 112 | – | – | 339 |
| Employee benefits | 2,444 | 457 | – | – | 2,901 |
| Derivative financial instruments | 986 | (796) | – | – | 190 |
| Provisions | 799 | (564) | – | – | 235 |
| Leases | 1,859 | 1,005 | – | – | 2,864 |
| Contract liabilities | 839 | 1,197 | – | – | 2,036 |
| Contract assets | (230) | 6 | – | – | (224) |
| Share based payments | – | 70 | – | – | 70 |
| Other items | 693 | (420) | – | – | 273 |
| **Net deferred tax assets** | **6,945** | **(2,489)** | **–** | **–** | **4,456** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2023

### 13 TRADE AND OTHER PAYABLES

| | 30 JUN 2023 $'000 | 30 JUN 2022 $'000 |
|---|---|---|
| Trade payables | 27,286 | 27,457 |
| Contract liabilities[1] | 3,593 | 5,556 |
| Sundry payables and accrued expenses[2] | 33,644 | 26,296 |
| | **64,523** | **59,309** |

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

1 Contract liabilities have decreased due to the Precast Concrete division recognising advanced payments of a major secured contracts, that totaled $11.788 million respectively. Revenue of $5.725 million was recognised during the year that was in contract liabilities at the beginning of the period (2022: $3.076 million)

2 The Group's sundry payables and accrued expenses can be broken up into the following overarching categories:

| | 30 JUN 2023 $'000 | 30 JUN 2022 $'000 |
|---|---|---|
| Accrued expenses | 8,987 | 5,256 |
| Goods Received Not Invoiced payables | 16,718 | 14,702 |
| GST/VAT payables | 269 | 950 |
| Payroll accruals and payables | 7,670 | 5,388 |
| | **33,644** | **26,296** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2023

### 14 BORROWINGS

| | 30 JUN 2023 $'000 | 30 JUN 2022 $'000 |
|---|---|---|
| CURRENT | | |
| *Secured liabilities* | | |
| Finance facility | 15,694 | 15,800 |
| Chattel mortgages | 7,332 | 9,108 |
| | **23,026** | **24,908** |
| NON-CURRENT | | |
| *Secured liabilities* | | |
| Finance facility | 75,000 | 64,000 |
| Chattel mortgages | 6,712 | 5,388 |
| | **81,712** | **69,388** |
| TOTAL CURRENT AND NON-CURRENT SECURED LIABILITIES: | | |
| Finance facility[1] | 90,694 | 79,800 |
| Chattel mortgages[2] | 14,044 | 14,496 |
| | **104,738** | **94,296** |

1 On 28 June 2021, the Group secured an extension with its current banks NAB & HSBC to its existing finance facilities, with an expiry date of 1 July 2024.

The products within the finance facility bear interest at the Bank Bill Swap Rate plus a predetermined margin.

Rates vary across the two club banks who cover the Group's finance facilities, and are affected by a number of factors including prior covenant ratios, date range within the facility agreements and the sub-facility being utilised.

As part of the extended facility agreement the Group must adhere to three covenants, a fixed charge cover ratio, debt to EBITDA ratio and a capitalisation ratio covenant. All covenants have been complied with during the financial years ended 30 June 2023 & 30 June 2022.

In March 2023 the Group secured a facility limit increase to term debt of $20 million, up to $120 million.

In July 2023 new facilities have been agreed to with existing lenders NAB & HSBC, with the documentation currently being finalised. These new facilities will expire in July 2026 and increase both term debt and working capital facility limits further to those already extended in March 2023, up to $150 million.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2023

### 15 Lease liabilities

| | NOTE | 30 JUN 2023 $'000 | 30 JUN 2022 $'000 |
|---|---|---|---|
| CURRENT | | | |
| Lease liabilities | | 10,404 | 7,233 |
| NON-CURRENT | | | |
| Lease liabilities | | 133,712 | 102,858 |
| **Total current and non-current lease liabilities** | 22(b) | **144,116** | **110,091** |

### (a) Movements in carrying amounts

| LEASE LIABILITIES | 30 JUN 2023 $'000 | 30 JUN 2022 $'000 |
|---|---|---|
| Opening net book value | 110,091 | 99,935 |
| Additions | – | 2,049 |
| Modifications | 37,915 | 11,255 |
| Interest expense | 5,591 | 4,409 |
| Lease repayments | (9,481) | (7,557) |
| **Closing net book value** | **144,116** | **110,091** |

### (b) Amounts recognised in profit or loss

| | 30 JUN 2023 $'000 | 30 JUN 2022 $'000 |
|---|---|---|
| Interest expense on lease liabilities | 5,591 | 4,409 |
| Rent & hire expense — low value assets | 821 | 654 |
| Rent & hire expense — short-term | 9,451 | 5,033 |
| **Total** | **15,863** | **10,096** |

Short-term lease commitments are entered into by the Group on a case-by-case basis, as such any commitments outstanding at the end of the financial year have an insignificant value in total.

### (c) Extension options

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2023

### 16 DERIVATIVE INSTRUMENTS

| | | 30 JUNE 2023 | | 30 JUNE 2022 | |
|---|---|---|---|---|---|
| | NOTE | CURRENT $'000 | NON-CURRENT $'000 | CURRENT $'000 | NON-CURRENT $'000 |
| ASSETS | | | | | |
| Foreign exchange forward contracts | | 1,257 | – | 42 | – |
| LIABILITIES | | | | | |
| Foreign exchange forward contracts | | (2,643) | – | (256) | – |
| Interest rate swap contracts | | – | – | (428) | – |
| | | **(2,643)** | **–** | **(684)** | **–** |
| **Total derivative assets/(liabilities)** | 23 | **(1,386)** | **–** | **(642)** | **–** |
| **Total movement in Derivatives recognised through Profit or Loss** | | **(744)** | | **3,252** | |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

## 17 PROVISIONS

### (a) Provision balances

| | 30 JUN 2023 $'000 | 30 JUN 2022 $'000 |
|---|---|---|
| CURRENT | | |
| Employee benefits (i) | 8,323 | 7,698 |
| Other (ii) | 1,739 | 788 |
| | **10,062** | **8,486** |
| NON-CURRENT | | |
| Employee benefits (i) | 610 | 620 |
| **Total Provision** | **10,672** | **9,106** |

(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).

(ii) Other provisions is made up of various cost provisions to allow for repairs & maintenance on plant and machinery.

### (b) Movements in provisions

| YEAR ENDED 30 JUNE 2023 $'000 | EMPLOYEE BENEFITS | OTHER | TOTAL |
|---|---|---|---|
| Opening balance | 8,318 | 788 | 9,106 |
| Charged to profit or loss | 7,298 | 951 | 8,249 |
| Amounts used during the period | (6,683) | – | (6,683) |
| **Closing balance** | **8,933** | **1,739** | **10,672** |

| YEAR ENDED 30 JUNE 2022 $'000 | EMPLOYEE BENEFITS | OTHER | TOTAL |
|---|---|---|---|
| Opening balance | 7,060 | 2,669 | 9,729 |
| Charged to profit or loss | 5,671 | (1,881) | 3,790 |
| Amounts used during the period | (4,413) | – | (4,413) |
| **Closing balance** | **8,318** | **788** | **9,106** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2023

### 18 ISSUED CAPITAL

#### (a) Share capital

| | 30 JUN 2023 SHARES | 30 JUN 2022 SHARES | 30 JUN 2023 $'000 | 30 JUN 2022 $'000 |
|---|---|---|---|---|
| **Ordinary shares** | **187,618,665** | **187,618,665** | **411,564** | **411,564** |

#### (b) Movement in share capital

| DATE | DETAILS | NO. OF SHARES | $'000 |
|---|---|---|---|
| 1 July 2021 | Opening balance | 187,196,887 | 410,915 |
| 21 December 2021 | Shares issued to Wagners' Employee Share Trust[1] | 421,778 | 649 |
| **30 June 2022** | **Closing balance** | **187,618,665** | **411,564** |
| | No transactions in financial year | | |
| **30 June 2023** | **Closing balance** | **187,618,665** | **411,564** |

1 Shares were issued to Wagners' Employee Share Trust for vested performance rights under the Long-Term Incentive Plan, the share values were calculated at the prior closing price of the date of issue.

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

#### (c) Other securities issued

As part of the previously disclosed Long Term Incentive Plan (Omnibus Incentive Plan) for Company employees, the Company issued 2,276,811 performance rights on 26 September 2022 (2022: 2,280,060) with more information to be found in Note 26.

#### (d) Pre IPO distributions of equity

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

#### (e) Capital risk management

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

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents. In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment.

The consolidated entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year. The consolidated entity monitors capital to ensure it maintains compliance with its various financial covenants. Refer to note 14 for a summary of existing financial covenants for the debt facilities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

## 19 RESERVES

| | 30 JUN 2023 $'000 | 30 JUN 2022 $'000 |
|---|---|---|
| Share based payment reserve | 184 | 286 |
| Foreign exchange reserve | (214) | (272) |
| | **(30)** | **14** |

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

| | 30 JUN 2023 $'000 | 30 JUN 2022 $'000 |
|---|---|---|
| SHARE BASED PAYMENT RESERVE | | |
| Opening balance | 286 | 646 |
| Share based payments fair value recognised in profit or loss | (102) | 327 |
| Payments to employee share trust for vested performance rights (net of tax) | – | (650) |
| Transfer exercised performance rights balance to retained earnings | – | (37) |
| **Closing balance** | **184** | **286** |
| FOREIGN EXCHANGE RESERVE | | |
| Opening balance | (272) | (260) |
| Exchange differences on translation of foreign operations, net of tax | 58 | (12) |
| **Closing balance** | **(214)** | **(272)** |

### (b) Details of reserves

#### (i) Share based payment reserve

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

#### (ii) Foreign exchange reserve

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

## 20 DIVIDENDS

### (a) Dividends paid

There were no dividends paid in both the current and prior financial years ended 30 June 2023 & 30 June 2022 respectively.

### (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 $13.363 million (2022: $14.093 million). This balance includes adjustments made for franking credits arising from the payment of estimated provision for 2023 income tax.

## 21 EARNINGS PER SHARE

| EARNINGS USED IN CALCULATING EARNINGS PER SHARE | 30 JUN 2023 $'000 | 30 JUN 2022 $'000 |
|---|---|---|
| Profit attributable to the ordinary equity holders of the Company | 3,123 | 7,632 |

| WEIGHTED AVERAGE NUMBER OF SHARES USED AS DENOMINATOR | 30 JUN 2023 NO. '000 | 30 JUN 2022 NO. '000 |
|---|---|---|
| Weighted average number of ordinary shares used in calculating basic earnings per share | 187,618,665 | 187,417,598 |
| Adjustment for calculation of diluted EPS:<br>– Performance rights on issue | 4,254,218 | 3,731,833 |
| Weighted average number of ordinary and potential ordinary shares used in calculating diluted earnings per share | 191,872,883 | 191,149,431 |

| BASIC & DILUTED EARNINGS PER SHARE | 30 JUN 2023 CENTS | 30 JUN 2022 CENTS |
|---|---|---|
| Basic earnings per share | 1.7 | 4.1 |
| Diluted earnings per share | 1.6 | 4.0 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

## 22 Cash flow information

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

| | 30 JUN 2023 $'000 | 30 JUN 2022 $'000 |
|---|---|---|
| Profit after income tax | 3,123 | 7,632 |
| NON-CASH FLOWS IN PROFIT | | |
| – Depreciation of property, plant & equipment | 20,129 | 17,802 |
| – Depreciation of right-of-use assets | 8,021 | 6,498 |
| – Amortisation of intangible assets | 119 | 119 |
| – Fair value adjustment on derivative instruments | 744 | (3,252) |
| – Net (gain)/loss on disposal of non-current assets | (913) | (238) |
| – Performance rights expense | (102) | (360) |
| – Net exchange differences | – | (6) |
| CHANGES IN OPERATING ASSETS AND LIABILITIES | | |
| – (Increase)/decrease in trade and other receivables | (30,139) | (14,971) |
| – (Increase)/decrease in other assets | (479) | (386) |
| – (Increase)/decrease in inventories | 9,085 | (26,032) |
| – Increase/(decrease) in trade and other payables | 5,213 | 16,233 |
| – Increase/(decrease) in income taxes payable | (1,970) | (1,034) |
| – Increase/(decrease) in deferred taxes payables | 2,398 | 2,489 |
| – Increase/(decrease) in provisions | 1,566 | (623) |
| **Net cash provided by operating activities** | **16,795** | **3,871** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2023

**22 Cash flow information (continued)**

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

| YEAR ENDED 30 JUNE 2023 $'000 | LEASE LIABILITIES | CHATTEL MORTGAGES | FINANCE FACILITY | DERIVATIVES HELD TO HEDGE BORROWINGS | TOTAL |
|---|---|---|---|---|---|
| Opening balance | 110,091 | 14,497 | 79,800 | 684 | 205,072 |
| Cash inflows | – | – | 10,961 | – | 10,961 |
| Cash outflows | (3,890) | (10,679) | (67) | – | (14,636) |
| *Non-cash flows in financial liabilities* | | | | | |
| Chattel mortgage contracts | – | 10,226 | – | – | 10,226 |
| Fair value change in derivatives | – | – | – | 1,959 | 1,959 |
| Lease liability changes | 37,915 | – | – | – | 37,915 |
| **Closing balance** | **144,116** | **14,044** | **90,694** | **2,643** | **251,497** |

| YEAR ENDED 30 JUNE 2022 $'000 | LEASE LIABILITIES | CHATTEL MORTGAGES | FINANCE FACILITY | DERIVATIVES HELD TO HEDGE BORROWINGS | TOTAL |
|---|---|---|---|---|---|
| Opening balance | 99,935 | 14,588 | 56,500 | 3,895 | 174,918 |
| Cash inflows | – | – | 23,300 | – | 23,300 |
| Cash outflows | (3,148) | (14,555) | – | – | (17,703) |
| *Non-cash flows in financial liabilities* | | | | | |
| Chattel mortgage contracts | – | 14,464 | – | – | 14,464 |
| Fair value change in derivatives | – | – | – | (3,211) | (3,211) |
| Lease liability changes | 13,304 | – | – | – | 13,304 |
| **Closing balance** | **110,091** | **14,497** | **79,800** | **684** | **205,072** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

## 23 FAIR VALUE MEASUREMENTS

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

### (a) Fair value hierarchy

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

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

### (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 is the income approach:

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

Fair value techniques and inputs are summarised as follows:

| DESCRIPTION | FAIR VALUE HIERARCHY | NOTE | VALUATION TECHNIQUE & INPUTS |
|---|---|---|---|
| Derivative instruments | Level 2 | 16 | The fair value of forward foreign exchange contracts is determined using the present value of future cash flows based on the forward exchange rates at the end of the reporting period. The fair value of interest rate swaps is determined using the present value of the estimated future cash flows based on observable yield curves. |

### (c) Recurring fair value measurements

| AS AT 30 JUNE 2023 | NOTE | LEVEL1 $'000 | LEVEL 2 $'000 | LEVEL 3 $'000 | TOTAL $'000 |
|---|---|---|---|---|---|
| Interest rate swap contracts | 16 | – | – | – | – |
| Foreign exchange forward contracts | 16 | – | (1,386) | – | (1,386) |
| | | **–** | **(1,386)** | **–** | **(1,386)** |
| **AS AT 30 JUNE 2022** | | | | | |
| Interest rate swap contracts | 16 | – | (428) | – | (428) |
| Foreign exchange forward contracts | 16 | – | (214) | – | (214) |
| | | **–** | **(642)** | **–** | **(642)** |

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

## 24 FINANCIAL RISK MANAGEMENT

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

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

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

### (a) Credit risk

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

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

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

#### Credit risk exposures

The maximum exposure to credit risk at the end of the reporting period is equivalent to the carrying amount of trade receivables and cash and cash equivalents. The Group does not consider there to be any significant concentration of credit risk with any single/or group of customers. The Group derives revenue from one key customer (2022: two), which accounted for 12% of revenue for the financial year ended 30 June 2023 (2022: 22%). Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality, aggregates of such amounts are detailed in note 7.

### (b) Liquidity risk

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2023

**24 Financial risk management (continued)**

**(b) Liquidity risk (continued)**

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

| AS AT 30 JUNE 2023 | WITHIN 1 YEAR $'000 | 1 TO 5 YEARS $'000 | OVER 5 YEARS $'000 | TOTAL $'000 |
|---|---|---|---|---|
| Trade and other payables | 64,523 | – | – | 64,523 |
| Derivative financial liabilities | 2,643 | – | – | 2,643 |
| Chattel mortgages | 7,819 | 6,970 | – | 14,789 |
| Finance facility | 15,694 | 75,000 | – | 90,694 |
| Lease liabilities | 10,606 | 41,642 | 193,075 | 245,323 |
| | **101,285** | **123,612** | **193,075** | **417,972** |

| AS AT 30 JUNE 2022 | WITHIN 1 YEAR $'000 | 1 TO 5 YEARS $'000 | OVER 5 YEARS $'000 | TOTAL $'000 |
|---|---|---|---|---|
| Trade and other payables | 59,309 | – | – | 59,309 |
| Derivative financial liabilities | 684 | – | – | 684 |
| Chattel mortgages | 9,300 | 5,551 | – | 14,851 |
| Finance facility | 15,800 | 64,000 | – | 79,800 |
| Lease liabilities | 7,365 | 27,662 | 154,355 | 189,382 |
| | **92,458** | **97,213** | **154,355** | **344,026** |

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

| | AS AT 30 JUNE 2023 | | AS AT 30 JUNE 2022 | |
|---|---|---|---|---|
| | DRAWN $'000 | AVAILABLE $'000 | DRAWN $'000 | AVAILABLE $'000 |
| Expiring within one year | 15,694 | – | 15,800 | 200 |
| Expiring beyond one year | 75,000 | 29,306 | 64,000 | 20,000 |
| | **90,694** | **29,306** | **79,800** | **20,200** |

**24 Financial risk management (continued)**

## (c) Market risk

### (i) Interest rate risk

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

Interest rate risk is managed using a mix of fixed and floating rate debt and the Group enters into interest rate swaps to convert the majority of debt to fixed rate. At 30 June 2023 0% (2022: 62.7%) of Group debt is at a fixed rate.

#### 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 PRINCIPAL AMOUNT | | |
|---|---|---|---|
| | 30 JUN 2023 $'000 | 30 JUN 2022 $'000 | INTEREST RATES |
| Interest rate swaps | – | 50,000 | 3.78% |

This interest rate swap expired in July 2022.

#### 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 measured at fair value through profit or loss, per note 1(j).

| | IMPACT ON POST TAX PROFIT | |
|---|---|---|
| | 30 JUN 2023 $'000 | 30 JUN 2022 $'000 |
| +100bp variability in interest rate | (505) | 333 |
| -100bp variability in interest rate | 505 | (333) |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2023

**24 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 & purchases are denominated and the respective functional currencies of Group companies. The functional currencies of Group companies is primarily the Australian dollar (AUD), with currently minor subsidiaries operating in United States dollars (USD) & Malaysian ringgit (RM).

FOREIGN EXCHANGE FORWARD CONTRACTS

At any point in time, the Group hedges 60% to 100% of its estimated foreign currency exposure in respect of forecast purchases in US Dollars (USD), being the main exposure, over the following 12 months. The Group uses forward exchange contracts to hedge its currency risk. These contracts commit the Group to buy and sell specified amounts of foreign currencies in the future at specified exchange rates, most have a maturity of less than 1 year from the reporting date. The 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 | |
|---|---|---|---|---|
| BUY USD/SELL AUD | 30 JUN 2023 $'000 | 30 JUN 2022 $'000 | 30 JUN 2023 $ | 30 JUN 2022 $ |
| Settlement within six months | 12,906 | 17,010 | 0.7032 | 0.7367 |
| Settlement between six and twelve months | 1,500 | 4,500 | 0.7000 | 0.7324 |
| | **14,406** | **21,510** | **0.7029** | **0.7358** |

| | NOTIONAL AMOUNT | | AVERAGE EXCHANGE RATES | |
|---|---|---|---|---|
| SELL USD/SELL AUD | 30 JUN 2023 $'000 | 30 JUN 2022 $'000 | 30 JUN 2023 $ | 30 JUN 2022 $ |
| Settlement within six months | 18,405 | 20,500 | 0.7322 | 0.7355 |
| Settlement between six and twelve months | – | 4,500 | | 0.7256 |
| | **18,405** | **25,000** | **0.7322** | **0.7337** |

**24 Financial risk management (continued)**

**(c) Market risk (continued)**

**(ii) Foreign exchange risk (continued)**

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 measured at fair value through profit or loss, per note 1(j).

| | IMPACT ON POST TAX PROFIT | |
|---|---|---|
| | 30 JUN 2023 $'000 | 30 JUN 2022 $'000 |
| +10% AUD/USD exchange rate | 1,673 | 1,500 |
| -10% AUD/USD exchange rate | (2,056) | (3,396) |

### (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 2023.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

## 25 RELATED PARTY TRANSACTIONS

### (a) Parent entity

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

### (b) Controlled entities

Interests in controlled entities are set out in Note 27.

### (c) Key management personnel

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

| | 30 JUN 2023 $ | 30 JUN 2022 $ |
|---|---|---|
| Short-term employee benefits | 1,590,518 | 1,733,518 |
| Post-employment benefits | 55,000 | 54,840 |
| Long-term employee benefits | 74,094 | 22,603 |
| Termination benefits | – | – |
| Share based payments | (28,395) | 95,250 |
| | **1,691,217** | **1,906,211** |

Further disclosures relating to key management personnel compensation are set out in the Remuneration report, which can be found on pages 25 to 35 of the Directors' Report.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2023

**25 Related party transactions (continued)**

### (d) Transactions with other related parties

#### Directors and related parties

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

| | 2023 | | 2022 | |
|---|---|---|---|---|
| DESCRIPTION | REVENUE/(COSTS) $ | OWED/(OWING)[1] $ | REVENUE/(COSTS) $ | OWED/(OWING) $ |
| Sale of materials and services | 3,634,884 | 425,178 | 6,903,548 | 1,621,824 |
| Payments for rent of property and plant[2] | (7,071,498) | – | (5,893,136) | – |
| Payments for material royalties, wharfage & other | (2,343,526) | (91,328) | (1,514,871) | (91,328) |
| **Totals** | **(5,780,140)** | **333,850** | **(504,459)** | **1,530,496** |

1 Amounts owed/ (owing) are sitting within current trade receivables and current trade payables respectively.

2 Payments for rent of property and plant resulted in the following right-of-use assets and lease liabilities being recognised:

| DESCRIPTION | 30 JUN 2023 $ | 30 JUN 2022 $ |
|---|---|---|
| Right-of-use asset | 108,621,959 | 77,813,344 |
| Lease liability | (133,283,427) | (86,759,240) |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

## 26 SHARE BASED PAYMENTS

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

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

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

### (a) Expenses recognised through profit or loss

The total expense for share based payment recognised through Profit or Loss for the financial year 30 June 2023 was a credit of $102,699 (2022: $327,036 expense). The expense was calculated based on the probability of vesting conditions being met and the fair value of options granted. There were vesting conditions met this financial year.

### (b) Overall performance rights movements

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

| | | | | | | MOVEMENTS | | | |
|---|---|---|---|---|---|---|---|---|---|
| CALENDAR YEAR ISSUED | TRANCHE | VESTING DATE | EXPIRY DATE | PERFORMANCE PERIOD[1] | 1 JULY 2022 | ISSUED | EXERCISED | EXPIRED/ FORFEITED[2] | 30 JUNE 2023 |
| 2022 | 1 | 30 Sep 2025 | Sep 2027 | 1 year | – | 758,937 | – | (118,529) | 640,408 |
| 2022 | 2 | 30 Sep 2025 | Sep 2027 | 2 years | – | 758,937 | – | (118,529) | 640,408 |
| 2022 | 3 | 30 Sep 2025 | Sep 2027 | 3 years | – | 758,937 | – | (118,529) | 640,408 |
| 2021 | 1 | 31 Aug 2022 | Nov 2026 | 1 year | 276,095 | – | – | (45,358) | 230,737 |
| 2021 | 2 | 31 Aug 2023 | Nov 2026 | 2 years | 276,095 | – | – | (45,358) | 230,737 |
| 2021 | 3 | 31 Aug 2024 | Nov 2026 | 3 years | 276,095 | – | – | (45,358) | 230,737 |
| 2021 | 1A | 31 Aug 2022 | Nov 2023 | 1 year | 438,064 | – | – | (438,064) | – |
| 2021 | 1B | 31 Aug 2022 | Nov 2024 | 1 year | 405,486 | – | – | (77,328) | 328,158 |
| 2021 | 2A | 31 Aug 2023 | Nov 2024 | 2 years | 608,225 | – | – | (115,991) | 492,234 |
| 2020 | 1 | 31 Aug 2021 | Nov 2025 | 1 year | 202,739 | – | – | (38,664) | 164,075 |
| 2020 | 2 | 31 Aug 2022 | Nov 2025 | 2 years | 405,486 | – | – | (77,328) | 328,158 |
| 2020 | 3 | 31 Aug 2023 | Nov 2025 | 3 years | 405,486 | – | – | (77,328) | 328,158 |
| 2019 | 1 | 31 Aug 2020 | Nov 2024 | 1 year | 219,031 | – | – | (219,031) | – |
| 2019 | 3 | 31 Aug 2022 | Nov 2024 | 3 years | 219,031 | – | – | (219,031) | – |
| | | | | | **3,731,833** | **2,276,811** | **–** | **(1,754,426)** | **4,254,218** |

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

2 Where options of a particular calendar year offer have not met all vesting conditions, they will be forfeited in the financial year that the final vesting date of that offer has passed, therefore any the remaining options with a final vesting condition of FY23 will be forfeited in FY24.

The weighted average remaining contractual life of performance rights outstanding at the end of the year was 2.9 years. The performance options outstanding have no exercise price.

**26 Share based payments (continued)**

## (c) Performance rights granted vesting conditions and fair values

2022 ISSUED PERFORMANCE RIGHTS

| | | |
|---|---|---|
| 1 | VESTING DATES | 30 September 2025 |
| 2 | VESTING CONDITIONS | **TRANCHE 1**<br>The 10-working day volume weighted average price (VWAP) of the Wagners share price, after the release of the financial results for the period ended 30 June 2023, must be equal to or exceed $1.85 |
| | | **TRANCHE 2**<br>The 10-working day VWAP of the Wagners share price, after the release of the financial results for the period ended 30 June 2024, must be equal to or exceed $2.50 |
| | | **TRANCHE 3**<br>The 10-working day VWAP of the Wagners share price, after the release of the financial results for the period ended 30 June 2025, must be equal to or exceed $2.95 |
| | | **ADDITIONAL VESTING TERMS**<br>The participant must be still employed at the Vesting Date for any options to be eligible to be vested. |
| 3 | EXPIRY DATE | 5 years from the date the Performance rights were issued. |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2023

**26 Share based payments (continued)**

**(c) Performance rights granted vesting conditions and fair values (continued)**

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

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

**2022 ISSUED PERFORMANCE RIGHTS**

| INPUTS INTO PRICING MODEL | TRANCHE 1 | TRANCHE 2 | TRANCHE 3 |
|---|---|---|---|
| Grant Date | 20 September 2022 | 20 September 2022 | 20 September 2022 |
| Exercise Price | $0.00 | $0.00 | $0.00 |
| Vesting Conditions | Refer above | Refer above | Refer above |
| Share price at grant date | $0.85 | $0.85 | $0.85 |
| Expiry date | 20 September 2027 | 20 September 2027 | 20 September 2027 |
| Life of the instruments | 5 years | 5 years | 5 years |
| Underlying share price volatility | 50% | 50% | 50% |
| Expected dividends | 2.83% | 2.83% | 2.83% |
| Risk free interest rate | 3.30% | 3.30% | 3.30% |
| Pricing model | Monte Carlo | Monte Carlo | Monte Carlo |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2023

**26 Share based payments (continued)**

**(c) Performance rights granted vesting conditions and fair values (continued)**

2021 ISSUED PERFORMANCE RIGHTS

| | | |
|---|---|---|
| 1 | **VESTING DATES** | Tranche 1 — 31 August 2022<br>Tranche 2 — 31 August 2023<br>Tranche 3 and Remainder Performance rights — 31 August 2024 |
| 2 | **VESTING CONDITIONS** | **OFFER EARNINGS PER SHARE (OFFER EPS) OF 4.84C, BASED ON EARNINGS EXCLUDING THE EFC® INVESTMENT (OPERATING EPS)**<br>**TRANCHE 2 TARGET EPS – 10% INCREASE ON OFFER EPS**<br>**TRANCHE 3 TARGET EPS – 10% INCREASE ON TRANCHE 2 TARGET EPS**<br><br>**TRANCHE 1**<br>On the Tranche 1 Vesting Date, if the Operating earnings per share (**EPS**) of the Company as at 30 June 2021 (**Tranche 1 EPS**) is:<br>(a) at least 10% (but less than 12.5%) higher than the Offer EPS, 50% of the Tranche 1 Performance rights shall vest; or<br>(b) at least 12.5% (but less than 15%) higher than the Offer EPS, 75% of the Tranche 1 Performance rights shall vest; or<br>(c) at least 15% higher than the Offer EPS, 100% of the Tranche 1 Performance rights shall vest.<br><br>**TRANCHE 2**<br>On the Tranche 2 Vesting Date, if the Operating earnings per share (**EPS**) of the Company as at 30 June 2022 (**Tranche 2 EPS**) is:<br>(a) at least 10% (but less than 12.5%) higher than the Tranche 2 Target EPS, 50% of the Tranche 2 Performance rights shall Vest; or<br>(b) at least 12.5% (but less than 15%) higher than the Tranche 2 Target EPS, 75% of the Tranche 2 Performance rights shall Vest; or<br>(c) at least 15% higher than the Tranche 2 Target EPS, 100% of the Tranche 2 Performance rights shall Vest.<br><br>**TRANCHE 3**<br>On the Tranche 3 Vesting Date, if the Operating earnings per share (**EPS**) of the Company as at 30 June 2023 (**Tranche 3 EPS**) is:<br>(a) at least 10% (but less than 12.5%) higher than Tranche 3 Target EPS, 50% of the Tranche 3 Performance rights shall Vest; or<br>(b) at least 12.5% (but less than 15%) higher than the Tranche 3 Target EPS, 75% of the Tranche 3 Performance rights shall Vest; or<br>(c) at least 15% higher than the Tranche 3 Target EPS, 100% of the Tranche 3 Performance rights shall Vest.<br><br>**ADDITIONAL VESTING TERMS**<br>Any Tranche 1 or 2 Performance rights which did not vest on the Tranche 1 Vesting Date or Tranche 2 Vesting Date respectively (**Remainder Performance rights**) will vest on the Tranche 3 Vesting Date if the Tranche 3 EPS is at least 20% higher than the Tranche 3 Target EPS. |
| 3 | **EXPIRY DATE** | 5 years from the date the Performance rights were issued. |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2023

**26 Share based payments (continued)**

**(c) Performance rights granted vesting conditions and fair values (continued)**

As well as the above performance rights issued in 2021, on 26 November 2021 the Company also issued performance rights in addition to prior year's performance rights issued under the Long-Term Incentive Plan. The Company issued these additional performance rights to better reflect target EPS values due to the significant increase in investment for EFC® expansion since the original performance rights were issued. Details of these additional performance rights are shown in the following two tables.

2021 ISSUED PERFORMANCE RIGHTS – ADDITIONAL 1

| | | |
|---|---|---|
| 1 | VESTING DATES | Tranche 1 and Remainder Performance rights — 31 August 2022 |
| 2 | VESTING CONDITIONS | **OFFER EARNINGS PER SHARE (OFFER EPS) OF 4.93C, BASED ON EARNINGS EXCLUDING THE EFC® INVESTMENT (OPERATING EPS)**<br><br>**TRANCHE 1A**<br>On the Tranche 1 Vesting Date, if the Operating earnings per share (**EPS**) of the Company as at 30 June 2022 (**Tranche 1 EPS**) is:<br>(a) at least 5% (but less than 10%) higher than the Offer EPS, 50% of the Tranche 1 Performance rights shall vest; or<br>(b) at least 10% (but less than 15%) higher than the Offer EPS, 75% of the Tranche 1 Performance rights shall vest; or<br>(c) at least 15% higher than the Offer EPS, 100% of the Tranche 1 Performance rights shall vest.<br><br>**ADDITIONAL VESTING TERMS**<br>Any Remainder Performance rights will vest on the Tranche 1 Vesting Date if the Tranche 1 EPS is at least 20% higher than the Offer EPS. |
| 3 | EXPIRY DATE | 3 years from the date the Performance rights were issued. |

**26 Share based payments (continued)**

**(c) Performance rights granted vesting conditions and fair values (continued)**

2021 ISSUED PERFORMANCE RIGHTS – ADDITIONAL 2

| | | |
|---|---|---|
| 1 | VESTING DATES | Tranche 1 — 31 August 2022<br>Tranche 2 and Remainder Performance rights — 31 August 2023 |
| 2 | VESTING CONDITIONS | **OFFER EARNINGS PER SHARE (OFFER EPS) OF 4.93C, BASED ON EARNINGS EXCLUDING THE EFC® INVESTMENT (OPERATING EPS)**<br>**TRANCHE 2 TARGET EPS – 10% INCREASE ON OFFER EPS**<br><br>**TRANCHE 1B**<br>On the Tranche 1 Vesting Date, if the Operating earnings per share (**EPS**) of the Company as at 30 June 2021 (**Tranche 1 EPS**) is:<br>(a) at least 5% (but less than 10%) higher than the Offer EPS, 50% of the Tranche 1 Performance rights shall vest; or<br>(b) at least 10% (but less than 15%) higher than the Offer EPS, 75% of the Tranche 1 Performance rights shall vest; or<br>(c) at least 15% higher than the Offer EPS, 100% of the Tranche 1 Performance rights shall vest.<br><br>**TRANCHE 2A**<br>On the Tranche 2 Vesting Date, if the Operating earnings per share (**EPS**) of the Company as at 30 June 2022 (**Tranche 2 EPS**) is:<br>(a) at least 5% (but less than 10%) higher than the Tranche 2 Target EPS, 50% of the Tranche 2 Performance rights shall Vest; or<br>(b) at least 10% (but less than 15%) higher than the Tranche 2 Target EPS, 75% of the Tranche 2 Performance rights shall Vest; or<br>(c) at least 15% higher than the Tranche 2 Target EPS, 100% of the Tranche 2 Performance rights shall Vest.<br><br>**ADDITIONAL VESTING TERMS**<br>Any Remainder Performance rights will vest on the Tranche 2 Vesting Date if the Tranche 2 EPS is at least 20% higher than the Tranche 2 Target EPS. |
| 3 | EXPIRY DATE | 4 years from the date the Performance rights were issued. |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2023

**26 Share based payments (continued)**

**(c) Performance rights granted vesting conditions and fair values (continued)**

2020 ISSUED PERFORMANCE RIGHTS

| | | |
|---|---|---|
| 1 | VESTING DATES | Tranche 1 — 31 August 2021<br>Tranche 2 — 31 August 2022<br>Tranche 3 and Remainder Performance rights — 31 August 2023 |
| 2 | VESTING CONDITIONS | **OFFER EARNINGS PER SHARE (OFFER EPS) OF 4.9C**<br>**TRANCHE 2 TARGET EPS – 10% INCREASE ON OFFER EPS**<br>**TRANCHE 3 TARGET EPS – 10% INCREASE ON TRANCHE 2 TARGET EPS**<br><br>**TRANCHE 1**<br>On the Tranche 1 Vesting Date, if the earnings per share (**EPS**) of the Company as at 30 June 2021 (**Tranche 1 EPS**) is:<br>(a) at least 5% (but less than 10%) higher than the Offer EPS, 50% of the Tranche 1 Performance rights shall vest; or<br>(b) at least 10% (but less than 15%) higher than the Offer EPS, 75% of the Tranche 1 Performance rights shall vest; or<br>(c) at least 15% higher than the Offer EPS, 100% of the Tranche 1 Performance rights shall vest.<br><br>**TRANCHE 2**<br>On the Tranche 2 Vesting Date, if the earnings per share (**EPS**) of the Company as at 30 June 2022 (**Tranche 2 EPS**) is:<br>(a) at least 5% (but less than 10%) higher than the Tranche 2 Target EPS, 50% of the Tranche 2 Performance rights shall Vest; or<br>(b) at least 10% (but less than 15%) higher than the Tranche 2 Target EPS, 75% of the Tranche 2 Performance rights shall Vest; or<br>(c) at least 15% higher than the Tranche 2 Target EPS, 100% of the Tranche 2 Performance rights shall Vest.<br><br>**TRANCHE 3**<br>On the Tranche 3 Vesting Date, if the earnings per share (**EPS**) of the Company as at 30 June 2023 (**Tranche 3 EPS**) is:<br>(a) at least 5% (but less than 10%) higher than Tranche 3 Target EPS, 50% of the Tranche 3 Performance rights shall Vest; or<br>(b) at least 10% (but less than 15%) higher than the Tranche 3 Target EPS, 75% of the Tranche 3 Performance rights shall Vest; or<br>(c) at least 15% higher than the Tranche 3 Target EPS, 100% of the Tranche 3 Performance rights shall Vest.<br><br>**ADDITIONAL VESTING TERMS**<br>Any Tranche 1 or 2 Performance rights which did not vest on the Tranche 1 Vesting Date or Tranche 2 Vesting Date respectively (**Remainder Performance rights**) will vest on the Tranche 3 Vesting Date if the Tranche 3 EPS is at least 20% higher than the Tranche 3 Target EPS. |
| 3 | EXPIRY DATE | 5 years from the date the Performance rights were issued. |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2023

**26 Share based payments (continued)**

**(c) Performance rights granted vesting conditions and fair values (continued)**

2019 ISSUED PERFORMANCE RIGHTS

| | | |
|---|---|---|
| 1 | VESTING DATES | Tranche 1 — 31 August 2020<br>Tranche 2 — 31 August 2021<br>Tranche 3 and Remainder Performance rights — 31 August 2022 |
| 2 | VESTING CONDITIONS | **OFFER EARNINGS PER SHARE (OFFER EPS) OF 7.9C**<br>**AMENDED EARNINGS PER SHARE (AMENDED EPS) OF 4.5C**<br><br>**TRANCHE 1**<br>On the Tranche 1 Vesting Date, if the earnings per share (**EPS**) of the Company as at 30 June 2020 (**Tranche 1 EPS**) is:<br>(a) at least 10% (but less than 12.5%) higher than the Offer EPS, 50% of the Tranche 1 Performance rights shall vest; or<br>(b) at least 12.5% (but less than 15%) higher than the Offer EPS, 75% of the Tranche 1 Performance rights shall vest; or<br>(c) at least 15% higher than the Offer EPS, 100% of the Tranche 1 Performance rights shall vest.<br><br>**TRANCHE 2**<br>On the Tranche 2 Vesting Date, if the earnings per share (**EPS**) of the Company as at 30 June 2021 (**Tranche 2 EPS**) is:<br>(a) at least 10% (but less than 12.5%) higher than the Amended EPS, 50% of the Tranche 2 Performance rights shall Vest; or<br>(b) at least 12.5% (but less than 15%) higher than the Amended EPS, 75% of the Tranche 2 Performance rights shall Vest; or<br>(c) at least 15% higher than the Amended EPS, 100% of the Tranche 2 Performance rights shall Vest.<br><br>**TRANCHE 3**<br>On the Tranche 3 Vesting Date, if the earnings per share (**EPS**) of the Company as at 30 June 2022 (**Tranche 3 EPS**) is:<br>(a) at least 10% (but less than 12.5%) higher than Amended EPS, 50% of the Tranche 3 Performance rights shall Vest; or<br>(b) at least 12.5% (but less than 15%) higher than the Amended EPS, 75% of the Tranche 3 Performance rights shall Vest; or<br>(c) at least 15% higher than the Amended EPS, 100% of the Tranche 3 Performance rights shall Vest.<br><br>**ADDITIONAL VESTING TERMS**<br>Any Tranche 1 or 2 Performance rights which did not vest on the Tranche 1 Vesting Date or Tranche 2 Vesting Date respectively (**Remainder Performance rights**) will vest on the Tranche 3 Vesting Date if the Tranche 3 EPS is at least 20% higher than the Amended EPS. |
| 3 | EXPIRY DATE | 5 years from the date the Performance rights were issued. |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2023

### 27 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 2023 % | 30 JUNE 2022 % |
| Wagners Queensland Pty Ltd | Australia | 100% | 100% |
| Wagner Investments Pty Ltd | Australia | 100% | 100% |
| Wagners Flyash Pty Ltd | Australia | 100% | 100% |
| Wagners Australian Operations Pty Ltd | Australia | 100% | 100% |
| Wagners Concrete Pty Ltd | Australia | 100% | 100% |
| Wagners Quarries Pty Ltd | Australia | 100% | 100% |
| Wagners Transport Pty Ltd | Australia | 100% | 100% |
| Wagners Industrial Services Pty Ltd | Australia | 100% | 100% |
| Wagners Cement Pty Ltd | Australia | 100% | 100% |
| Wagners Charter Pty Ltd | Australia | 100% | 100% |
| Wagners International Operations Pty Ltd | Australia | 100% | 100% |
| Wagners Global Projects Sdn Bhd | Malaysia | 100% | 100% |
| Wagners Global Services (Malaysia) Sdn Bhd | Malaysia | 100% | 100% |
| Wagners Services Mozambique Limiteda | Mozambique | 98.75% | 98.75% |
| Wagners Global Ventures Sdn Bhd | Malaysia | 100% | 100% |
| Wagners Global Services Mongolia LLC | Mongolia | 100% | 100% |
| Wagners Concrete Mongolia LLC | Mongolia | 100% | 100% |
| Wagners Composite Fibre Technologies Pty Ltd | Australia | 100% | 100% |
| Wagners CFT Manufacturing Pty Ltd | Australia | 100% | 100% |
| Wagners EFC® Pty Ltd | Australia | 100% | 100% |
| Wagner USA Holding Company | United States | 100% | 100% |
| Wagners CFT LLC | United States | 100% | 100% |
| Wagners Manufacturing LLC | United States | 100% | 100% |
| Wagners Property Holdings LLC | United States | 100% | 100% |
| Wagners Holding NZ Limited | New Zealand | 100% | 100% |
| Wagners Holding Company UK Ltd | United Kingdom | 100% | 100% |
| EFC® Green Concrete Technology UK Ltd | United Kingdom | 100% | 100% |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2023

## 28 CAPITAL COMMITMENTS

### Capital expenditure commitments

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

| | 30 JUN 2023 $'000 | 30 JUN 2022 $'000 |
|---|---|---|
| Within twelve months | 641 | 4,432 |

## 29 CONTINGENT ASSETS AND LIABILITIES

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

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

## 30 AUDITOR'S REMUNERATION

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

| BDO AUDIT PTY LTD & RELATED COMPANIES | 30 JUN 2023 $ | 30 JUN 2022 $ |
|---|---|---|
| AUDIT SERVICES | | |
| Audit and review of financial statements — *BDO Audit Pty Ltd* | 254,770 | 253,392 |
| **Total audit services** | **254,770** | **253,392** |
| OTHER ASSURANCE SERVICES | **2,725** | 4,500 |
| NON-AUDIT SERVICES | | |
| Taxation services — *BDO Services Pty Ltd* | – | 8,515 |
| **Total non-audit services** | **–** | **8,515** |
| **Total amount paid or payable to auditor** | **257,495** | **266,407** |

## 30 DEED OF CROSS GUARANTEE

Wagners Holding Company Limited, Wagners Australian Operations Pty Ltd, Wagners Cement Pty Ltd, Wagners CFT Manufacturing Pty Ltd, Wagners Concrete Pty Ltd, Wagners Industrial Services Pty Ltd, Wagner Investments Pty Ltd, Wagners Quarries Pty Ltd, Wagners Queensland Pty Ltd and Wagners Transport Pty Ltd are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under ASIC Corporations (Wholly-owned Companies) Instrument 2016/785.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2023

**30 Deed of cross guarantee (continued)**

### (a) Consolidated statement of profit or loss and other comprehensive income and summary of movements in consolidated retained earnings

The above companies represent a 'closed group' for the purposes of the instrument. Set out below is a consolidated statement of statement of profit or loss and other comprehensive income and a summary of movements in consolidated retained earnings for the year ended 30 June 2023 of the closed group consisting of the Companies listed above.

| | 30 JUN 2023 $'000 | 30 JUN 2022 $'000 |
|---|---|---|
| Revenue from contracts with customers | 464,170 | 329,808 |
| Other income | 1,166 | 1,193 |
| Direct material and cartage costs | (219,870) | (149,036) |
| Employee benefits expense | (91,542) | (65,937) |
| Depreciation — right-of-use assets | (7,796) | (6,340) |
| Depreciation and amortisation expense — other | (19,947) | (17,830) |
| Finance costs — lease liabilities | (5,580) | (4,405) |
| Net finance cost — other | (5,690) | (6,181) |
| Fuel | (12,323) | (6,650) |
| Contract work and purchased services | (15,667) | (7,586) |
| Freight and postal | (3,151) | (2,740) |
| Legal and professional | (582) | (800) |
| Rent and hire | (11,931) | (6,945) |
| Repairs and maintenance | (40,880) | (32,444) |
| Travel and accommodation | (7,585) | (5,744) |
| Utilities | (5,873) | (4,538) |
| Fair value adjustment on derivative instruments | (744) | 3,252 |
| Impairment of trade receivables — gain/(loss) | (47) | (483) |
| Other expenses | (5,371) | (3,243) |
| **Profit before income tax** | **10,757** | **13,351** |
| Income tax expense | (3,254) | (3,726) |
| **Profit for the period** | **7,503** | **9,625** |
| **Other comprehensive income (net of tax)** | | |
| *Items that may be reclassified to profit or loss* | | |
| None | – | – |
| **Total comprehensive income for the period** | **7,503** | **9,625** |
| *Summary of movement in consolidated retained earnings* | | |
| **Retained earnings at the beginning of the financial year** | **67,130** | **57,468** |
| Profit for the year | 7,503 | 9,625 |
| Transfer exercised performance rights balance to retained earnings | – | 37 |
| **Retained earnings at the end of the financial year** | **74,633** | **67,130** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2023

**30 Deed of cross guarantee (continued)**

### (b) Consolidated statement of financial position

Set out below is a consolidated statement of financial position as at 30 June 2023 of the closed group consisting of the Companies as previously mentioned.

| | 30 JUN 2023 $'000 | 30 JUN 2022 $'000 |
|---|---|---|
| CURRENT ASSETS | | |
| Cash and cash equivalents | 10,215 | 9,717 |
| Trade and other receivables | 128,220 | 89,651 |
| Inventories | 39,244 | 47,615 |
| Derivative instruments | 1,257 | 42 |
| Current tax assets | 1,859 | – |
| Other assets | 1,425 | 986 |
| **Total Current Assets** | **182,220** | **148,011** |
| NON-CURRENT ASSETS | | |
| Property, plant and equipment | 137,342 | 136,667 |
| Right-of-use assets | 130,439 | 100,545 |
| Intangible assets | 2,164 | 2,283 |
| Deferred tax assets | 2,365 | 3,794 |
| **Total Non-current Assets** | **272,310** | **243,289** |
| **Total Assets** | **454,530** | **391,300** |
| CURRENT LIABILITIES | | |
| Trade and other payables | 66,094 | 58,049 |
| Borrowings | 23,026 | 24,908 |
| Lease liabilities | 10,409 | 7,233 |
| Derivative instruments | 2,643 | 684 |
| Current tax liabilities | – | 103 |
| Provisions | 9,940 | 8,474 |
| **Total Current Liabilities** | **112,112** | **99,451** |
| NON-CURRENT LIABILITIES | | |
| Borrowings | 81,712 | 69,388 |
| Lease liabilities | 133,712 | 102,858 |
| Derivative instruments | – | – |
| Provisions | 610 | 620 |
| **Total Non-current Liabilities** | **216,034** | **172,866** |
| **Total Liabilities** | **328,146** | **272,317** |
| **Net Assets** | **126,384** | **118,983** |
| EQUITY | | |
| Issued capital | 411,564 | 411,564 |
| Pre IPO distributions to related entities | (360,448) | (360,448) |
| Reserves | 635 | 737 |
| Retained earnings | 74,633 | 67,130 |
| **Total Equity** | **126,384** | **118,983** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2023

## 31 PARENT ENTITY FINANCIAL INFORMATION

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

| STATEMENT OF FINANCIAL POSITION | 30 JUN 2023 $'000 | 30 JUN 2022 $'000 |
|---|---|---|
| ASSETS | | |
| Current assets | 42 | 42 |
| Non-current assets | 129,951 | 130,183 |
| **Total assets** | **129,993** | **130,225** |
| LIABILITIES | | |
| Current liabilities | 16,923 | 21,030 |
| Non-current liabilities | 10,854 | 6,848 |
| **Total liabilities** | **27,777** | **27,878** |
| EQUITY | | |
| Issued capital | 411,564 | 411,564 |
| Distribution to related entities | (355,010) | (355,010) |
| Reserves | 184 | 324 |
| Retained earnings | 45,479 | 45,469 |
| **Total equity** | **102,217** | **102,347** |

| STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME | 30 JUN 2023 $'000 | 30 JUN 2022 $'000 |
|---|---|---|
| Total profit for the financial year | (28) | (198) |
| **Total comprehensive income for the financial year** | **(28)** | **(198)** |

### (a) Contingent assets and liabilities

The parent entity does not have any contingent assets or liabilities as at 30 June 2023.

### (b) Guarantees entered into by the parent entity

There are cross guarantees given by Wagners Holding Company Limited as described in note 30. No deficiencies of assets exist in any of these companies.

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

The parent entity had $426 thousand of contractual commitments for the acquisition of property, plant or equipment (2022: $3.847 million).

## 32 EVENTS OCCURRING AFTER THE REPORTING PERIOD

To the Directors' best knowledge, there has not arisen in the interval between 30 June 2023 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 37 to 93, are in accordance with the *Corporations Act 2001*, including:

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

   ii. giving a true and fair view of the consolidated Group's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and

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

(c) the directors have been given the declarations required by s295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer, for the financial year ended 30 June 2023.

MR DENIS WAGNER

**Chairman**

Dated at Toowoomba, Queensland
on 21 August 2023.

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

# INDEPENDENT AUDITOR'S REPORT

To the members of Wagners Holding Company Limited

## Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of Wagners Holding Company Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2023, 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 2023 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for opinion

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

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

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

### Key audit matters

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

**Revenue recognition and measurement**

| *Key audit matter* | *How the matter was addressed in our audit* |
|---|---|
| The Group’s disclosures regarding revenue recognition are included in Note 1(c) and Note 3, detailing the accounting policies applied, and disclosures relating to AASB 15 *Revenue from Contracts with Customers*.<br><br>The assessment of revenue recognition was significant to our audit given revenue is a material balance within the financial statements for the year ended 30 June 2023.<br><br>The assessment of revenue recognition and measurement required significant auditor effort.<br><br>In addition, the Group entered into a contract during the prior year to provide precast materials to the Sydney Metro tunnel project. This contract requires the Group to manufacture and supply tunnel segments over a two-year period. The total value of the contract is considered material to the Group, and required significant auditor effort in assessing the revenue recognition of this contract. | Our procedures included, but were not limited to:<br><br>• Assessing the Group’s revenue recognition policy for compliance with AASB 15 *Revenue from Contracts with Customers;*<br><br>• Documenting the processes and assessing the internal controls relating to revenue processing and recognition;<br><br>• Tracing a sample of revenue transactions to supporting documentation and the satisfaction of performance obligations;<br><br>• Performing detailed substantive analytical procedures on the yearly sales for each material component;<br><br>• Obtaining management’s revenue recognition paper on the Sydney Metro tunnelling contract, assessing revenue recognition for compliance with AASB 15 Revenue from Contracts with Customers including identifying separate performance obligations and allocating the transaction price to the separate performance obligations, obtaining a confirmation of the year end receivables balance, reconciling amounts recognised as revenue and contract assets or liabilities, and attending physical observation of the production process at year end; and<br><br>• Assessing the adequacy of the Group's disclosures within the financial statements. |

**Other information**

The directors are responsible for the other information. The other information comprises the information contained in the Directors’ Report for the year ended 30 June 2023, but does not include the financial report and our auditor’s report thereon, which we obtained prior to the date of this auditor’s report, and the Annual Report, which is expected to be made available to us after that date.

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

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

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

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

**Responsibilities of the directors for the Financial Report**

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

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

**Auditor's responsibilities for the audit of the Financial Report**

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

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

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

This description forms part of our auditor's report.

## Report on the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 25 to 35 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Wagners Holding Company Limited, for the year ended 30 June 2023, 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

**D P Wright**
Director

Brisbane, 21 August 2023

# 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 1 September 2023 unless stated otherwise.

## DISTRIBUTION SCHEDULE

| RANGE | TOTAL HOLDERS | UNITS | % OF ISSUED CAPITAL |
|---|---|---|---|
| 1–1,000 | 1,144 | 608,498 | 0.32 |
| 1,001–5,000 | 1,800 | 4,918,201 | 2.62 |
| 5,001–10,000 | 698 | 5,241,556 | 2.79 |
| 10,001–100,000 | 904 | 24,812,811 | 13.23 |
| 100,001 and over | 93 | 152,037,599 | 81.04 |
| **Rounding** | | | **0.00** |
| **Total** | **4,639** | **187,618,665** | **100.00** |

## SHARES AND VOTING RIGHTS

All 187,618,665 shares in the Company are ordinary shares, held by 4,639 shareholders.
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.

Option holders have no rights until the options are exercised. 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 1 September 2023 and as disclosed in substantial notices to the ASX and Company.

| NAME | DATE OF LAST NOTICE RECEIVED | NUMBER OF ORDINARY SHARES | % OF ISSUED CAPITAL |
|---|---|---|---|
| Denis Wagner | 15 December 2017 | 103,976,771 | 55% |
| John Wagner | 15 December 2017 | 103,248,014 | 55% |
| Neill Wagner | 15 December 2017 | 102,957,631 | 55% |
| Joe Wagner | 15 December 2017 | 102,957,631 | 55% |
| Wagner Property Operations Pty Ltd | 25 November 2019 | 14,201,056 | 7.6% |
| Paradice Investment Management Pty Ltd and David Paradice | 18 November 2020 | 10,021,590 | 5.3% |

## UNMARKETABLE PARCELS

| | MINIMUM PARCEL SIZE | HOLDERS | UNITS |
|---|---|---|---|
| Minimum $ 500.00 parcel at $ 0.9275 per unit | 540 | 612 | 170,140 |

# ADDITIONAL INFORMATION

## TOP 20 SHAREHOLDERS

| RANK | NAME | UNITS | % UNITS |
|---|---|---|---|
| 1 | DENIS PATRICK WAGNER | 21,321,928 | 11.36 |
| 1 | JOHN HENRY WAGNER | 21,321,928 | 11.36 |
| 1 | JOSEPH DOYLE WAGNER | 21,321,928 | 11.36 |
| 1 | NEILL THOMAS WAGNER | 21,321,928 | 11.36 |
| 5 | WAGNER PROPERTY OPERATIONS PTY LTD | 14,201,056 | 7.57 |
| 6 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 11,383,980 | 6.07 |
| 7 | CITICORP NOMINEES PTY LIMITED | 8,423,710 | 4.49 |
| 8 | ITA VERO PTY LTD <THE RICHMOND A/C> | 3,100,000 | 1.65 |
| 9 | NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C> | 1,623,974 | 0.87 |
| 10 | BRAZIL FARMING PTY LTD | 1,497,623 | 0.80 |
| 11 | NATIONAL NOMINEES LIMITED | 1,471,485 | 0.78 |
| 12 | ARCHERFIELD AIRPORT CORPORATION PTY LTD | 1,200,000 | 0.64 |
| 13 | NETWEALTH INVESTMENTS LIMITED <SUPER SERVICES A/C> | 1,091,543 | 0.58 |
| 14 | JOHN WAGNER INVESTMENTS PTY LTD <JHW FAMILY A/C> | 1,091,447 | 0.58 |
| 15 | DWFT PTY LTD <HARVEY ROAD A/C> | 1,019,140 | 0.54 |
| 16 | DENIS WAGNER INVESTMENTS PTY LTD <DPW FAMILY A/C> | 801,064 | 0.43 |
| 16 | NEILL WAGNER INVESTMENTS PTY LTD <NTW FAMILY A/C> | 801,064 | 0.43 |
| 18 | ACE PROPERTY HOLDINGS PTY LTD | 800,000 | 0.43 |
| 18 | MR JOHN PATERSON | 800,000 | 0.43 |
| 20 | MR KEVIN JOHN CAIRNS + MRS CATHERINE VALERIE CAIRNS <CAIRNS FAMILY SUPER A/C> | 700,000 | 0.37 |
| **Total Top 20 holders of ORDINARY FULLY PAID SHARES** | | **135,293,798** | **72.11** |
| **Total Remaining Holders Balance** | | **52,324,867** | **27.89** |

## UNQUOTED OPTIONS

There are 13 holders of 5,175,462 unvested unquoted options.

## CORPORATE GOVERNANCE STATEMENT

The Company's Corporate Governance Statement for the financial year ended 30 June 2023 is available to download and access from https://investors.wagner.com.au/corporate-governance

# CORPORATE DIRECTORY

## COMPANY SECRETARY

Karen Brown

## REGISTERED OFFICE

Level 10, 12 Creek Street,
Brisbane QLD 4000
1300 138 991
+61 3237 5999

## PRINCIPAL PLACE OF BUSINESS

11 Ballera Court,
1511 Toowoomba-Cecil Plains Road
Wellcamp QLD 4350
+61 7 4637 7777

## SHARE REGISTRY

Computershare Investor Services Ltd
Level 1, 200 Mary Street
Brisbane QLD 4000
1800 850 505 (within Australia)
+61 3 9415 4000 (outside Australia)

## AUDITOR

BDO Audit Pty Ltd
Level 10, 12 Creek Street
Brisbane QLD 4000

## SOLICITORS

McCullough Robertson Lawyers
Level 11, 66 Eagle Street
Brisbane QLD 4000

## BANKERS

National Australia Bank Limited

HSBC Bank Australia Limited

Australian and New Zealand Banking Group Limited

## SECURITIES EXCHANGE

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

**www.wagner.com.au**

WAGNERS

## Postal Address

PO Box 151
Drayton North
Toowoomba QLD 4350, Australia

## Street Address

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