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Private and confidential
The Independent Directors
Wagners Holding Company Ltd
1511 Toowoomba Cecil Plains Road
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20 December 2023

Dear Independent Directors

Independent Expert Report and Financial Services Guide

Part One – Independent Expert Report

1 *Introduction*

Between February 2019 and October 2020 Wagners Holding Company Ltd (**Wagners**) entered into lease arrangements with various related parties in relation to ready-mix concrete batching plants. These lease arrangements are described below.

Toowoomba Batching Plant Lease Transaction

On 1 February 2019, Wagners entered into a lease with Wagners Properties Pty Ltd (**Wagners Properties**) in relation to a workshop and a ready-mix concrete batching plant (**Toowoomba Batching Plant Lease**). The Toowoomba Batching Plant Lease site is located at Toowoomba (**Toowoomba Batching Plant**). The execution of the Toowoomba Batching Plant Lease is defined as the **Toowoomba Batching Plant Lease Transaction**.

Batching Plant Leases Transaction

On 26 February 2020 and 1 October 2020, Wagners entered into three leases (**Batching Plant Leases**) with Wagner Real Estate Investment Pty Ltd (**Wagner Real Estate**) in relation to three ready-mix concrete batching plants.

The three batching plants leased under the Batching Plant Leases are located at the following sites with the stated lease inception dates (collectively referred to as the **Lease Inception Dates**):

- Narangba (**Narangba Batching Plant**), entered into lease on 26 February 2020
- Coolum Beach (**Coolum Batching Plant**), entered into lease on 26 February 2020
- Yatala (**Yatala Batching Plant**), entered into lease on 1 October 2020.

The execution of the Batching Plant Leases is defined as the **Batching Plant Leases Transaction.**

The Toowoomba Batching Plant Lease Transaction and the Batching Plant Leases Transaction are collectively referred to as the **Related Party Lease Transactions**.

For the purposes of this report, the date the lease was executed is defined as the **Lease Inception Date** for the Toowoomba Batching Plant Lease and each of the Batching Plant Leases individually.

As Wagner Real Estate and Wagners Properties are related parties to Wagners (**Related Parties**), the Related Party Lease Transactions are subject to the Australian Securities Exchange (**ASX**) Listing Rules (Chapter 10) and require approval from the non-associated shareholders (**Non-Associated Shareholders**). Given the Toowoomba Batching Plant Lease and the Batching Plant Leases were entered into during the 2019 and 2020 calendar years, these leases require retrospective Non-Associated Shareholder approval.

As required by ASX Listing Rule Chapter 10, the independent directors of Wagners (**Independent Directors**) have requested KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Corporate Finance is a division) (**KPMG Corporate Finance**) to prepare an Independent Expert Report (**IER**) indicating whether, in our opinion, the Toowoomba Batching Plant Lease Transaction and/or Batching Plant Leases Transaction are individually fair and reasonable to the Non-Associated Shareholders. The Toowoomba Batching Plant Lease Transaction and the Batching Plant Leases Transaction are not interdependent.

Wagners is an ASX listed producer and supplier of construction materials and services globally, with a focus on ready-mixed concrete manufacturing.

The Related Parties are controlled by Denis Wagner, John Wagner, Neill Wagner and Joe Wagner and have a focus on property, infrastructure and sustainable development. Denis Wagner and John Wagner are Directors of Wagners.

This report will be included in the explanatory memorandum (**Explanatory Memorandum**) which will accompany the Notice of Meeting (**Notice of Meeting**) to be sent to Wagners' shareholders (**Shareholders**) prior to the Extraordinary General Meeting (**EGM**). This report should be considered in conjunction with and not independently of the information set out in the Explanatory Memorandum.

2 Requirements of our Report

In undertaking our work, we have referred to guidance provided by the Australian Securities and Investment Commission (**ASIC**) in its Regulatory Guides, in particular Regulatory Guide 111 'Content of expert reports' (**RG 111**), Regulatory Guide 76 'Related Party Transactions' (**RG 76**) and Regulatory Guide 112 'Independence of experts' (**RG 112**).

Further details of the relevant technical requirements and the basis of assessment in forming our opinion are set out in Section 4.1 of this report.

This report should be considered in conjunction with and not independently of the information set out in the Notice of Meeting and Explanatory Memorandum.

KPMG Corporate Finance's Financial Services Guide is contained in Part Two of this report.

3 *Summary of opinion*

In our opinion, the:

- **Toowoomba Batching Plant Lease Transaction is fair and reasonable to Wagners' Non-Associated Shareholders**
- **Batching Plant Leases Transaction is fair and reasonable to Wagners' Non-Associated Shareholders.**

For each of the Toowoomba Batching Plant Lease Transaction and the Batching Plant Leases Transaction we have concluded that:

- the initial actual rent agreed between Wagners and the relevant Related Parties for each transaction is within or below the market value of rent range that we have determined
- the escalated initial actual agreed rent for each of the transactions falls within the escalated market value of rent range that we have determined.

Accordingly, we have concluded that each of the Toowoomba Batching Plant Lease Transaction and the Batching Plant Leases Transaction are fair.

In accordance with RG 111, a transaction is considered to be reasonable if it is fair. Accordingly, we also consider each of the Toowoomba Batching Plant Lease Transaction and the Batching Plant Leases Transaction to be reasonable.

Notwithstanding the RG 111 guidance, we have also considered the likely key advantages and disadvantages of these transactions together with the likely impact if these transactions are not approved.

Our assessment of both the fairness and the reasonableness of the Related Party Leases that are seeking retrospective approval has been based on our assessment of factors that existed as at each of the Lease Inception Dates, without using the benefit of hindsight, to evaluate these transactions.

3.1 *Assessment of fairness*

Toowoomba Batching Plant Lease Transaction

We have assessed the fairness of the Toowoomba Batching Plant Lease Transaction to the Non-Associated Shareholders by comparing:

- The actual rent agreed to be paid by Wagners to Wagners Properties for the Toowoomba Batching Plant Lease with
- The market value of the rent for the Toowoomba Batching Plant Lease.

A summary of the actual agreed rent for the Toowoomba Batching Plant Lease as at 1 July 2019, is presented in the following table:

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Table 1: The actual agreed rent for the Toowoomba Batching Plant Lease

$ unless otherwise stated	Lease Inception Date	Agreed rent[1]
Toowoomba Batching Plant	1-Feb-19	943,353

Source: Wagners

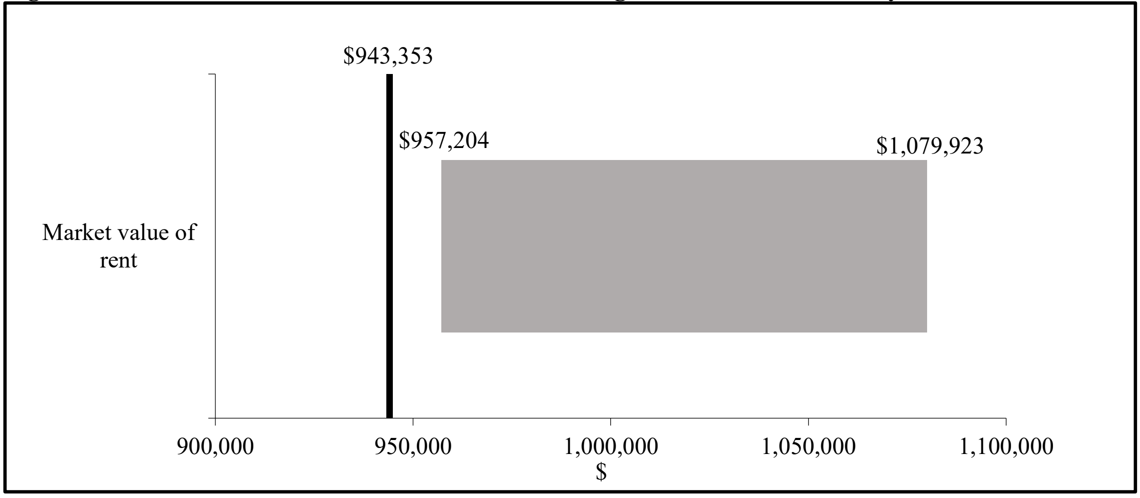
Notes:

1. *Agreed rent as at 1 July 2019.*

In relation to Table 1 above, we note that the initial actual rent agreed at the Toowoomba Lease Inception Date was $480,346. This increased to $943,353 as at 1 July 2019, reflecting increased rent payable due to the capital works incurred by Wagners Properties in relation to the construction of the ready-mix concrete batching plant (based on a 7.4% rate of return which is discussed in Section 6.3).

We have determined the market value of rent for the Toowoomba Batching Plant Lease as at the Lease Inception Date, as outlined in detail in Section 7.1. In determining the market value of rent, we have assumed the ready-mix concrete batching plant was fully constructed and in place as at the Lease Inception Date, to ensure consistency. We have summarised our assessment of the fairness of the Toowoomba Batching Plant Lease Transaction (i.e. by comparing the actual agreed rent to the market value of rent for the Toowoomba Batching Plant Lease) in the following figure.

Figure 1: Fairness assessment of Toowoomba Batching Plant Lease as at 1 July 2019



Source: Wagners, M3 Property and KPMG Corporate Finance analysis

The initial agreed rent to be paid by Wagners falls below the range of the market value of rent for the Toowoomba Batching Plant Lease as at 1 July 2019. This is largely due to our estimated required rate of return as at the Lease Inception Date (7.8% to 8.8%), being higher than the rate of return adopted to calculate the actual rent payment (7.4%).

The Toowoomba Batching Plant Lease stipulates a minimum rent increase of 3.0% per annum and does not allow for a market rent review during the initial 20 year term. Given this is potentially an onerous term, from a Wagners perspective, we have also compared the actual agreed rent escalated over the term of the lease (including the minimum rent increase of 3.0% per annum) to our assessed market value of rent, escalated over the lease term period at a rate of 3.0% per annum, but including an illustrative market rent review at year 5, based on the following:

- 3.0% increase for years 2 to 5 (assuming no increase in the first year of the lease)
- at the end of year 5, the market value of rent is reset to reflect an adjusted rent, calculated by growing the initial rent by forecast inflation rate estimates as at 31 December 2018 for years 2 to 5. Following the reset, the market value of rent is increased by 3.0% per annum until expiry of the initial lease term. Our adopted forecast inflation assumptions are set out in the table below.

Table 2: Summary of the inflation assumptions applied for the Toowoomba Batching Plant Lease

	31-Dec-20	31-Dec-21	31-Dec-22	31-Dec-23
Inflation assumption	2.4%	2.5%	2.7%	2.5%

Source: S&P Capital IQ, brokers' notes and various economic commentators

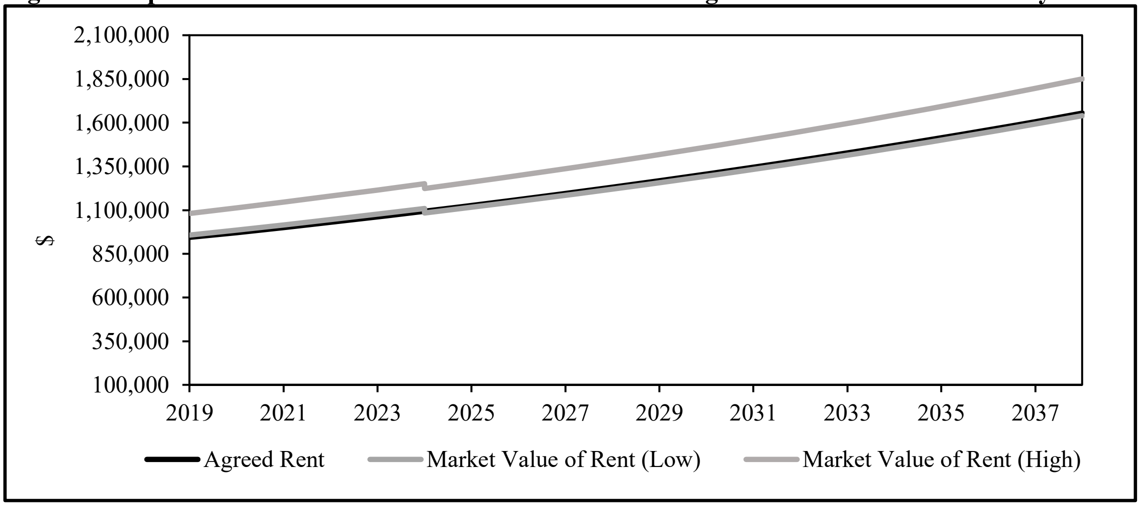
Notes:

2. *Forecast inflation rates available as at 31 December 2018 and on a calendar year basis.*

Further information on the lease terms for the Toowoomba Batching Plant Lease can be found in Section 6.3.

A summary of the escalated initial actual agreed rent and the escalated market value of rent for the Toowoomba Batching Plant Lease is presented in the following figure.

Figure 2: Impact of escalation on rent of Toowoomba Batching Plant Lease as at 1 February 2019



Source: KPMG Corporate Finance analysis

With respect to the above analysis, we note the following:

- the market value of rent range is represented by the space between the grey lines
- while the actual agreed rent is initially below the market value of rent range, following the illustrative market rent review the actual agreed rent moves within the market value of rent range.

After considering the information summarised above, it is our view that, in the absence of any other information, the Toowoomba Batching Plant Lease Transaction is fair to the Non-Associated Shareholders as at the Toowoomba Lease Inception Date.

Batching Plant Leases Transaction

We have assessed the fairness of the Batching Plant Leases Transaction to the Non-Associated Shareholders by comparing:

- the aggregated actual rent agreed to be paid by Wagners to Wagner Real Estate for the Batching Plant Leases with
- the aggregated market value of the rent for the Batching Plant Leases.

A summary of the aggregated initial actual rent agreed for the Batching Plant Leases at the relevant Lease Inception Dates is presented in the following table:

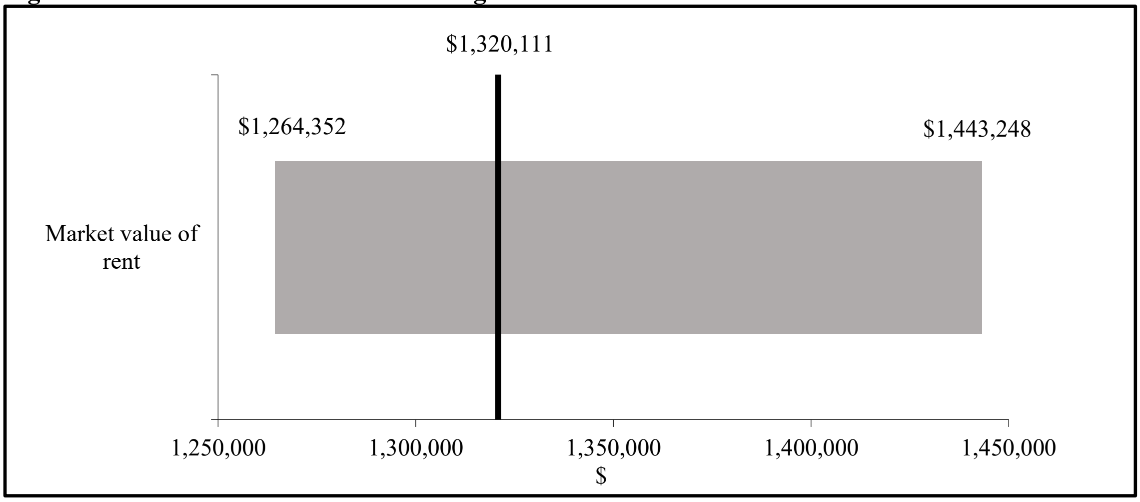
Table 3: The initial actual agreed rent for the Batching Plant Leases

$ unless otherwise stated	Lease Inception Dates	Initial agreed rent
Narangba Batching Plant	26-Feb-20	655,687
Coolum Batching Plant	26-Feb-20	482,836
Yatala Batching Plant	1-Oct-20	181,589
Total - Batching Plant Leases		**1,320,111**

Source: Wagners

We have determined the market value of rent for the Batching Plant Leases as at the relevant Lease Inception Dates as outlined in detail in Section 7.1. We have summarised our assessment of the fairness of the Batching Plant Leases Transaction (i.e. by comparing the aggregated initial actual agreed rent to the aggregated market value of rent for the Batching Plant Leases) in the following figure:

Figure 3: Fairness assessment of Batching Plant Leases



Source: Wagners, M3 Property and KPMG Corporate Finance analysis

The aggregated initial actual agreed rent to be paid by Wagners for the Batching Plant Leases falls within the range of the aggregated market value of rent for the Batching Plant Leases.

Each of Batching Plant Leases stipulates a minimum rent increase of 3.0% per annum and none of these leases allow for a market rent review during the initial 20 year term. Given this is potentially an onerous term, from a Wagners perspective, we have also compared the actual agreed rent escalated over the term of the lease (including the minimum rent increase of 3.0% per annum) to our assessed market value of rent, escalated over the lease term period at a rate of 3.0% per annum, but including an illustrative market rent review at year 5, based on the following:

- 3.0% increase for years 2 to 5 (assuming no increase in the first year of the lease)
- at the end of year 5, the market value of rent is reset to reflect an adjusted rent, calculated by growing the initial rent by forecast inflation rate estimates as at 31 December 2019 for years 2 to 5. Following the reset, the market value of rent is increased by 3.0% per annum until expiry of the initial least term. Our adopted forecast inflation assumptions are set out in the table below:

Table 4: Summary of the inflation assumptions applied for the Batching Plant Leases

	31-Dec-21	31-Dec-22	31-Dec-23	31-Dec-24
Inflation assumption	2.0%	2.2%	2.4%	2.5%

Source: S&P Capital IQ, brokers' notes and various economic commentators

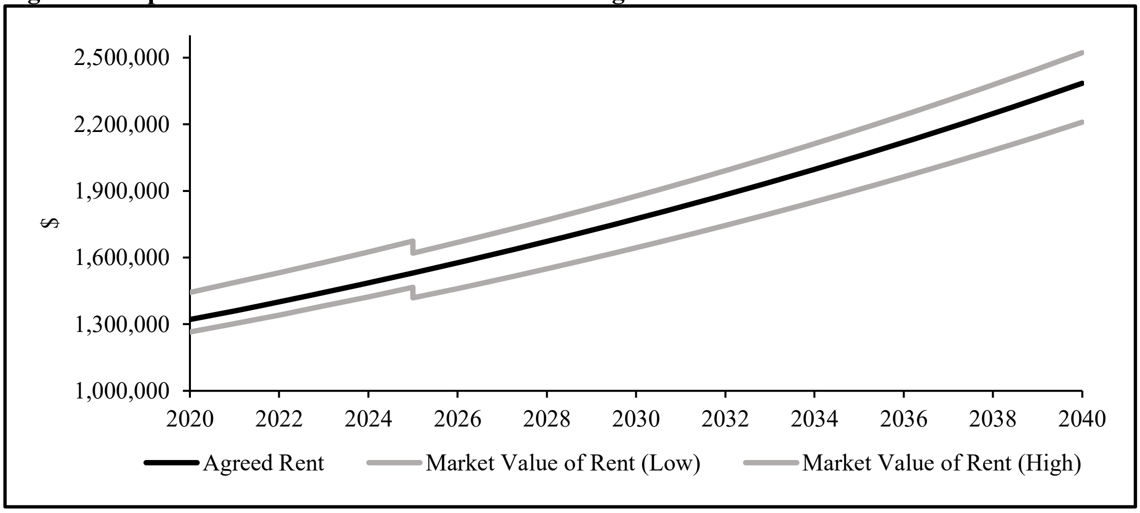
Notes:

1. *Forecast inflation rates available as at 31 December 2019 and on a calendar year basis.*

Further information on the lease terms of the Batching Plant Leases can be found in Section 6.3 and Section 6.4.

A summary of the escalated aggregated initial actual agreed rent and the escalated aggregated market value of rent for the Batching Plant Leases is presented in the figure below.

Figure 4: Impact of escalation on rent for the Batching Plant Leases



Source: KPMG Corporate Finance analysis

With respect to the above analysis, we note the following:

- the market value of rent range is represented by the space between the grey lines.
- the actual agreed rent is within the market value of rent range over the entire initial lease term.

After considering the information summarised above, it is our view that, in the absence of any other information, the Batching Plant Leases Transaction is Fair to the Non-Associated Shareholders as at the Lease Inception Date.

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3.2 Assessment of reasonableness

In accordance with RG 111, a transaction is considered to be reasonable if it is fair. Accordingly, we consider each of the Toowoomba Batching Plant Lease Transaction and the Batching Plant Leases Transaction to be reasonable.

Notwithstanding this conclusion, we have also identified the likely key advantages and disadvantages of the Toowoomba Batching Plant Lease Transaction and the Batching Plant Leases Transaction from the position of a Non-Associated Shareholder and have considered the likely impact if these transactions are not approved, as well as any other significant factors that may assist the Non-Associated Shareholders in considering whether to retrospectively approve these transactions.

Toowoomba Batching Plant Lease Transaction and Batching Plant Leases Transaction

As the terms of the Toowoomba Batching Plant Lease and each of the Batching Plant Leases are essentially the same, we have discussed the reasonableness issues collectively in relation to all four leases.

3.2.1 Advantages

Provided the funding solution needed to grow the South East Queensland batching plant network

As discussed in Section 6, one of Wagners' expressed strategies was the establishment of a network of ready-mix concrete batching plants in high growth areas of South East Queensland (**SEQ**). Given various factors at the relevant Lease Inception Dates, including a dispute with Boral (a key client), there was no certainty that alternative sources of funding would have been available on more favourable terms. Entering into these leases enabled Wagners to pursue its South East Queensland Concrete Strategy (**Concrete Strategy**) in a relatively timely manner.

Knowledge of the Related Parties and alignment of interests

The Related Parties were well known to Wagners, had a deep understanding of Wagners and the industries in which Wagners operates and had an economic interest in Wagners' financial performance. Accordingly, the interests of the Related Parties were more likely to be aligned to those of Wagners than an external financier.

Wagners will have the ability to exercise the option to end the lease upon expiry of the initial lease term

Given the Toowoomba Batching Plant Lease and each of the Batching Plant Leases include options to extend the initial lease term for up to a further 20 years, these leases provided Wagners with an interest in the underlying assets that was akin to ownership. This provided Wagners with a degree of business certainty and continuity of operations which enabled Wagners to continue to pursue its strategy of growing the concrete business and establishing a network of batching plants in SEQ, which was fundamental to Wagners' Concrete Strategy.

3.2.2 Disadvantages

Rent review cannot give rise to a rent reduction

In our view, the impacts of the agreed rent being subject to a minimum 3.0% per annum increase, there being no market rent review during the initial lease term (20 years) and that the market rent review cannot result in a rent reduction, results in the risk that, over the duration of the Toowoomba Batching Plant Lease and each of the Batching Plant Leases, the rent being paid under the respective leases may increase beyond that of the market value of rent.

Rent payable on subsequent capital projects

The rent payable in relation to any capital project funded by the lessor after the commencement of the lease is a combination of the amortisation of the capital investment cost (over the remaining term of the lease) plus an increased rent, based on the capital cost multiplied by the required rate of return, increased by 3.0% per annum from the Lease Inception Date. In our view this would result in an abnormally high rate of return to the lessor in relation to these capital improvements. Management are aware of this clause and have advised that this clause does not relate to construction of the batching plants (including the Yatala Batching Plant, where the construction has not yet commenced despite the lease being executed in October 2020). In addition, Wagners have the option of undertaking any subsequent capital projects themselves, thereby avoiding this clause (albeit the ownership of the capital improvement would likely revert to the lessor at the end of the lease).

3.2.3 Impact of not approving the Toowoomba Batching Plant Lease Transaction and/or the Batching Plant Leases Transaction

In the event that the Non-Associated Shareholders vote to not retrospectively approve either of the Toowoomba Batching Plant Lease Transaction or the Batching Plant Leases Transaction we understand Management would:

- immediately seek to negotiate a temporary arrangement with the relevant Related Parties to permit ongoing operations
- then seek to renegotiate the terms of the leases that were not approved. However, there is no certainty an alternative leasing arrangement could be agreed that would be on more favourable terms to those under the existing leases. In addition, the Related Parties would likely seek compensation for any changes to the existing leases.

In the event that new leases could not be agreed, Management would need to consider:

- purchasing the relevant batching plants, noting this would likely also require Non-Associated Shareholder approval
- relocating operations, which would likely cause significant disruption to the Wagners operation and financial performance.

We understand that Management have not yet attempted to quantify the impacts of the Non-Associated Shareholders voting to not retrospectively approve either of the Toowoomba Batching Plant Lease Transaction or the Batching Plant Leases Transaction. However, we expect such costs would be significant and that there would be a material negative financial impact on Wagners. Avoiding costs and Management's time associated with seeking an alternative leasing arrangement and/or the likely lengthy process to source alternative sites for their ready-mix concrete batching plant operations would enable the business to focus on ongoing operations.

3.3 Other considerations

Directors' recommendation and intentions

The Independent Directors have recommended that the Non-Associated Shareholders vote in favour of retrospectively approving the Toowoomba Batching Plant Lease Transaction and the Batching Plant Leases Transaction and have stated that they each intend to vote in favour of retrospectively approving the Toowoomba Batching Plant Lease Transaction and the Batching Plant Leases Transaction, in respect of any Wagners shares they control.

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3.4 *Other matters*

In forming our opinion, we have considered the interests of the Non-Associated Shareholders as a whole. This advice therefore does not consider the financial situation, objectives or needs of individual Non-associated Shareholders. It is not practical or possible to assess the implications of the Related Party Lease Transactions on individual Non-Associated Shareholders as their financial circumstances are not known. The decision of the Non-Associated Shareholders as to whether or not to approve the Related Party Lease Transactions is a matter for individuals based on, amongst other things, their risk profile, liquidity preference, investment strategy and tax position. Individual Non-Associated Shareholders should therefore consider the appropriateness of our opinion to their specific circumstances before acting on it.

As an individual's decision to vote for or against the proposed resolutions may be influenced by his or her particular circumstances, we recommend that individual Non-Associated Shareholders including residents of foreign jurisdictions seek their own independent professional advice.

Our report has also been prepared in accordance with the relevant provisions of the Corporations Act and other applicable Australian regulatory requirements. This report has been prepared solely for the purpose of assisting Non-Associated Shareholders in considering the Related Party Lease Transaction. We do not assume any responsibility or liability to any other party as a result of reliance on this report for any other purpose.

KPMG Corporate Finance has made reasonable enquiries of Wagners who has concluded that the underlying financial product pursuant to the Related Party Lease Transactions are not captured by Design and Distribution Obligations regulations.

Neither the whole nor any part of this report or its attachments or any reference thereto may be included in or attached to any document, other than the Explanatory Memorandum to be sent to the Shareholders in relation to the Related Party Lease Transaction, without the prior written consent of KPMG Corporate Finance as to the form and context in which it appears. KPMG Corporate Finance consents to the inclusion of this report in the form and context in which it appears in the Explanatory Memorandum.

Our opinion is based solely on information available as at the date of this report as set out in Appendix 2 of the attached report. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion. We refer readers to the limitations and reliance on information section as set out in Section 4.3 of this report.

All currency amounts in this report are denominated in Australian dollars unless otherwise stated. References to an Australian financial year (i.e. the 12 months to 30 June XX) have been abbreviated to FYXX, references to the first half (i.e. the 6 months to 31 December XX) have been abbreviated to 1HXX and references to the second half year (i.e. the 6 months to 30 June XX) have been abbreviated to 2HXX.

The above opinion should be considered in conjunction with and not independently of the information set out in the remainder of this report, including the appendices.

Yours faithfully

Bill Allen
Authorised Representative

Adele Thomas
Authorised Representative

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4 Scope of the Report

4.1 Purpose

Related Party Transaction: Listing Rule 10

As set out in the ASX Listing Rules Chapter 10:

- an entity may not acquire or dispose of a substantial asset from a related party of the entity without shareholder approval (Section 10.1)
- an asset is substantial if its value, or the value of the consideration, is 5.0% or more of the equity interest of the entity as set out in the latest financial statement provided to the ASX (Section 10.2)
- the notice of meeting to approve such a transaction must include an independent expert report, which provides the experts report as to whether the transaction is fair and reasonable (Section 10.5.8).

Guidance Note 24 issued by the ASX states that in determining the value of a leasehold interest, the ASX will typically look at the total rent payable under the lease over its term (including any option to renew) to determine whether or not it equals or exceeds the 5.0% threshold discussed above.

The Independent Directors have concluded that the Related Party Lease Transactions meet the requirements of the Listing Rules Chapter 10 and have requested KPMG Corporate Finance to prepare a report in accordance with ASX Listing Rule Chapter 10 and the guidance provided by ASIC, separately considering each of the following are fair and reasonable to the Non-Associated Shareholders:

- the Toowoomba Batching Plant Lease and
- the Batching Plant Leases (as a single transaction).

4.2 Basis of assessment

RG 111 indicates the principles and matters which it expects a person preparing an independent expert report to consider in providing an opinion on whether a related party transaction is 'fair and reasonable' from the perspective of non-associated members. RG 111 notes:

- in assessing whether a related party transactions is 'fair and reasonable' the assessment should not be applied as a composite test
- a proposed related party transaction is 'fair' if the value of the financial benefit to be provided by the entity (in this instance Wagners) to the related party is equal to or less than the valuation of the consideration being provided to the entity
- in relation to an asset acquisition by the entity, it is 'fair' if the value of the financial benefit being offered by the entity to the related party is equal to or less than the value of the assets being acquired. Where the financial benefit given by the entity is securities in the entity and the consideration is securities in another entity held by a related party, the value of the entity's securities should be compared to the value of the securities it is purchasing
- in valuing the financial benefit given and the consideration received by the entity, an expert should take into account all material terms of the related party transaction

- a proposed related party transaction is 'reasonable' if it is 'fair'
- a related party transaction might also be 'reasonable' if, despite being 'not fair', the expert believes that there are sufficient reasons for members to vote to approve the related party transaction. In such cases, in accordance with RG 111.61, the expert must clearly explain the meaning of this opinion
- factors to be considered in deciding whether a proposed related party transaction is 'reasonable' might include:
  - the financial situation and solvency of the entity
  - opportunity costs
  - the alternative options available to the entity and the likelihood of those options occurring
  - the entity's bargaining position
  - whether there is selective treatment of any shareholder, particularly the related party
  - any special value of the transaction to the purchaser, such as particular technology or the potential to write off outstanding loans from the target
  - the liquidity of the market in the entity's securities.

In forming our opinion as to whether each of the Related Party Lease Transactions individually are fair and reasonable to the Non-Associated Shareholders, we have considered the following:

- the rationale, terms and implications of each of the Related Party Lease Transactions
- other alternatives considered and the implications of each alternative for Non-Associated Shareholders
- any other benefits or disadvantages of the alternatives that we believe to be relevant
- the consequences of not approving each of the Related Party Lease Transactions individually.

4.3 *Limitations and reliance on information*

In preparing this report and arriving at our opinion, we have considered the information detailed in Appendix 2 of this report. In forming our opinion, we have relied upon the truth, accuracy and completeness of any information provided or made available to us without independently verifying it. Nothing in this report should be taken to imply that KPMG Corporate Finance has in any way carried out an audit of the books of account or other records of Wagners for the purposes of this report.

Further, we note that an important part of the information base used in forming our opinion is comprised of the opinions and judgements of management. In addition, we have also had discussions with Wagners' management (**Management**) in relation to the nature of the business operations, its specific risks and opportunities, its historical results and its prospects for the foreseeable future. This type of information has been evaluated through analysis, enquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

Wagners has been responsible for ensuring that information provided by it, or its representatives is not false or misleading or incomplete. Complete information is deemed to be information which at the time of completing this report should have been made available to KPMG Corporate Finance and would have reasonably been expected to have been made available to KPMG Corporate Finance to enable us to form our opinion.

We have no reason to believe that any material facts have been withheld from us but do not warrant that our inquiries have revealed all of the matters which an audit or extensive examination might disclose. The statements and opinions included in this report are given in good faith, and in the belief that such statements and opinions are not false or misleading.

It is not the role of the independent expert to undertake the commercial and legal due diligence that a company and its advisers may undertake. The Independent Directors are responsible for conducting due diligence in relation to the Related Party Lease Transactions. KPMG Corporate Finance provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process, which is outside our control and beyond the scope of this report. We have assumed that the due diligence process has been and is being conducted in an adequate and appropriate manner.

Our opinion is based on prevailing market, economic and other conditions as at the relevant Lease Inception Dates for the Toowoomba Batching Plant Lease and the Batching Plant Leases. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion.

4.4 Disclosure of information

In preparing this report, KPMG Corporate Finance has had access to all financial information considered necessary in order to provide the required opinion. Wagners has requested KPMG Corporate Finance limit the disclosure of some commercially sensitive information relating to Wagners and its subsidiaries. This request has been made on the basis of the commercially sensitive and confidential nature of the operational and financial information of the operating entities comprising Wagners. As such the information in this report has been limited to the type of information that is regularly placed into the public domain by Wagners.

4.5 Reliance on Technical Expert

ASIC Regulatory Guides envisage the use, by an independent expert, of specialists when valuing specific assets. To assist KPMG Corporate Finance in the valuation of certain assets, M3 Property Australia Pty Ltd (**M3 Property**) was engaged by Wagners, but with its scope of work determined by us, to prepare independent reports providing a valuation of the unimproved land (excluding any site improvements and development approvals) forming part of the assets leased under the Toowoomba Batching Plant Lease and each of the Batching Plant Leases at the relevant Lease Inception Dates.

A copy of the M3 Property reports, dated 13December 2023 (**M3 Property Reports**), are attached to this report as Appendix 4.

ASIC Regulatory Guides recommend the fees payable to the technical specialists be paid in the first instance by the independent expert and claimed back from the party commissioning by the independent expert. KPMG Corporate Finance's preferred basis for appointment of independent technical specialists is that the client commissions, and pays the fees directly to, the technical specialist, whilst KPMG Corporate Finance defines the scope of work for the technical specialist. We do not consider that the independence of the technical specialist is impaired by this arrangement.

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We have satisfied ourselves as to M3 Property's qualifications and independence from Wagners and have placed reliance on its report.

The valuation methodologies adopted by M3 Property in respect of the land component of the Toowoomba Batching Plant Lease and the Batching Plant Leases (collectively referred to as the **Land**), are outlined in the M3 Property Reports, attached to this report as Appendix 4.

We consider the work undertaken by M3 Property to be sufficiently robust and reliable to adopt as an input to our assessment. Accordingly, we have relied upon the valuations ascribed by M3 Property for the Land in forming a view of an appropriate market value for the Toowoomba Batching Plant Lease and the Batching Plant Leases.

5 Industry overview

Wagners predominately operates in the ready-mixed concrete manufacturing industry in SEQ. Accordingly, in order to provide a context for assessing the environment in which Wagners was operating on or around the relevant Lease Inception Dates, we have set out at Appendix 3 an overview of key drivers and the outlook in the Australian ready-mixed concrete manufacturing industry as at April 2020.

6 Background

6.1 Company Overview

Wagners is an ASX listed producer and supplier of construction materials and services globally, with a focus on ready-mixed concrete manufacturing. Wagners was founded in 1989 and is headquartered in Wellcamp, Queensland.

As at the Lease Inception Dates, Wagners operated through two business segments:

- Construction Materials and Services (**CMS**): The CMS segment primarily produced cement, fly ash, ready-mix concrete, precast concrete products, aggregates and reinforcing steel, as well as mobile concrete, crushing and haulage services through medium to long-term contracts
- New Generation Building Materials (**NGBM**): The NGBM segment provided environmentally sustainable Composite Fibre Technology (**CFT**) and Earth Friendly Concrete (**EFC**) building products and construction materials.

Wagners' customers include domestic and international construction materials, building and construction, infrastructure, mining and general contracting companies. Wagner's most significant customer is Boral Resources (Qld) Pty Limited (**Boral**), with which it holds a Cement Supply Agreement (**CSA**) until 2031.

Today, Wagners operates through three business segments, as it has split its CFT and EFC businesses into standalone business segments. The business operations and clients of Wagners' remain similar to that at the Lease Inception Dates.

The Related Parties are controlled by Denis Wagner, John Wagner, Neill Wagner and Joe Wagner and have a focus on property, infrastructure and sustainable development. Denis Wagner and John Wagner are Directors of Wagners.

6.2 Business strategy

In the Wagners prospectus (**Prospectus**) released to the market prior to their initial public offering (**IPO**) on the ASX on 8 December 2017, the corporate strategy of Wagners included a number of initiatives aimed at sustaining long-term growth, including:

- the establishment of a network of ready-mix concrete batching plants in high growth areas of SEQ
- the IPO proceeds being used to reduce debt and increase Wagners' financial flexibility to pursue a range of growth opportunities, most notably the expansion of Wagners' market presence in cement and concrete.

The Prospectus also noted that:

- at the time of listing, Wagners had a number of leases with Wagners Properties in respect of various premises, including the Pinkenba cement factory
- the Wagners' Board considered that each of those related party lease arrangements with Wagner Real Estate were on arm's length commercial terms and were subject to the usual risks associated with contracts that Wagners entered into with other third parties
- Wagners expected the continuation of related party lease arrangements with the Related Parties, noting that if the relationship with the Related Parties changed such that the Related Parties were no longer supportive of Wagners, this may have a material adverse impact on Wagners, including affecting Wagners' ability to expand its activities, which may have an adverse effect on Wagners' future financial performance if other sites could not be identified with either a third party landlord or could be purchased by Wagners.

We have also considered Wagners' growth strategies as at the relevant Lease Inception Dates and summarise below the key components of the Wagners' growth strategy articulated by Management for the periods including FY18 to FY20 and FY23 as presented in the respective annual reports and investor presentations:

FY18:

- continued expansion of the ready-mix concrete batching plants, including continuing to establish and identify sites for expansion in the ready-mix concrete batching plant network, to gain additional exposure to the continued expected growth in the SEQ market, recognising that growth in the ready-mix concrete batching plant network supported the more profitable cement segment of the business
- increased productivity through:
  - gaining direct priority access to a wharf at its Pinkenba cement facility, lowering demurrage costs and providing greater operational efficiency
  - focusing on innovation in current manufacturing processes, providing efficiency gains and decreasing the cost of deliverables
  - development of the NGBM segment's international operations, particularly in the United States, United Kingdom, New Zealand and European markets.

FY19:

- continued roll-out of the Concrete Strategy. In this regard, focus areas for the CMS business segment included:
  - expansion of domestic ready-mix concrete plant network roll-out, focused on the high growth areas of SEQ.
  - securing long term operational rights to externally owned sites through leasing
  - opportunities to support vertical integration of the business.
- growing the NGBM business through product development, focused marketing and sales strategies and the expansion of manufacturing facilities domestically and internationally by:
  - investing in automation and increased capacity of CFT and EFC production facilities to allow for higher productivity and lower cost of production for NGBM
  - development of NGBM international operations, with significant opportunities for a range of applications particularly in the United States, United Kingdom, New Zealand and Europe and Middle Eastern markets.

On 18 March 2019, Wagners announced to the ASX that Boral had issued a notice to Wagners under the CSA regarding an offer from a third party supplier for a lower cement price (**Pricing Offer**) than what was being charged by Wagners (**Boral Dispute**). Wagners disputed that the Pricing Offer constituted a valid Pricing Notice from Boral under the CSA and as defined in the CSA. As Wagners elected not to accept the Pricing Offer, pursuant to the CSA, Wagners suspended supply of cement products to Boral from that date, pending resolution or determination by the courts. Wagners recommenced supplying Boral with cement on 22 October 2019, but at lower prices. The Boral dispute had a material negative impact on Wagners' earnings before interest and tax (**EBIT**) by over $12 million throughout the FY19 and FY20 periods, before any adjustment for any take-or-pay amounts payable under the CSA or as a result of the outcome of the dispute.

We understand the contract issues and the related reduction in FY19 and FY20 earnings negatively affected Wagners' ability to access the already established debt facilities due to covenant restraints.

FY20:

- continued investment in fixed concrete plant network
- investment to promote growth and enhanced vertical integration across the business providing channels to market for Wagners' CMS business segment
- continued growth in international markets for NGBM segment. Revenue growth was expected as a result of:
  - CFT: increased investment in CFT international sales team and establishment of physical presence in the United States

- EFC: obtaining approval for EFC in Germany, allowing for the commercialisation of the product in Europe and increased sales focus given the capabilities of the ready-mix concrete batching plants network to supply EFC throughout SEQ.

- investment in automation and increased capacity of NGBM production facilities to allow for higher productivity and lower cost of production.

FY23:

- growing and consolidating the CMS business in Australia though the expansion of the ready-mix concrete batching plants and quarry networks in SEQ, subject to prevailing market conditions
- growing the CFT business through product development, focused marketing and sales strategies and the expansion of manufacturing facilities domestically and internationally
- pursuit of major project opportunities, domestically and internationally, utilised the existing expertise and experience in the CMS.

6.3 Lease Agreements

On 4 March 2019, a Heads of Agreement (**HOA**) was executed between Wagners as the "Lessee" and Wagners Properties (or any of its Related Body Corporates including Wagner Real Estate) as the "Lessor" for the establishment of agreed processes and principles for any lease agreements for the ready-mix concrete batching plants, in accordance with Wagners' strategy to establish a network of ready-mix concrete batching plants in SEQ. As part of the HOA:

- Wagners and the Lessor will work together to identify ready-mix concrete batching plant sites that are mutually beneficial to both parties, whereby Wagners secures a long-term ready-mix concrete batching plant and the Lessor sources a long-term investment with a tenant in place.
- once a potential site has been identified that is acceptable to both parties, Wagners may make an offer to lease to the Lessor. If the offer is accepted, the Lessor must purchase the site and grant the lease to Wagners and Wagners must accept the lease from the Lessor.
- the Lessor procures Wagners to undertake the capital works at the Lessor's expense
- the term of any lease will be for an initial period of 20 years with 4x5 year option periods
- rent will commence being payable from the earlier of the completion of the relevant ready-mix concrete batching plant or 12 months from the lease commencement date
- the initial annual rent will be equivalent to 7.4% of the total of the site purchase price (including direct costs) plus the capital works costs plus the Lessor's holding costs up to the commencement of the lease payment
- except where there is a market review, rent is to increase annually in accordance with increase in the CPI, with a minimum increase of 3.0%. A market review is required on the exercise of each option period and the rent cannot decrease
- Wagners are responsible for all outgoings

- where the Lessor funds a capital project after the commencement of the lease, the capital investment cost must be amortised over the remaining term of the lease (payable simultaneously with the rent). The rent will also be increased, based on the capital cost multiplied by the required rate of return, increased by 3.0% per annum from the Lease Inception Date.

We understand that the Toowoomba Batching Plant Lease and the Batching Plant Leases were all based on the HOA.

Based on our review of the Toowoomba Batching Plant Lease and the Batching Plant Leases, we concluded that while the majority of clauses contained in these leases were within market norms and in line within similar leases for comparable sites (noting such leases are typically more landlord friendly in nature), there were some exceptions, some of which were potentially favourable to Wagners and some of which were potentially unfavourable to Wagners. The key unfavourable terms are the inability of the market rent review to result in a rent reduction, particularly given the term of the relevant leases (including the option period) and the rent payable in respect of subsequent capital projects.

We have discussed these matters with Management. Management have advised that these matters were given due consideration at the time the Toowoomba Batching Plant Lease and each of the Batching Plant Leases were negotiated and Management concluded that either:

- the identified terms were not materially different to terms that had been agreed with third parties
- the identified terms did not present an inappropriate level of risk or
- Wagners had appropriate procedures in place to reduce any risk back to an acceptable level.

Based on these discussions, we have concluded that the Toowoomba Batching Plant Lease and the Batching Plant Leases do not contain any inappropriate or unduly onerous terms, from a Wagners perspective.

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6.3.1 Toowoomba Batching Plant Lease and Batching Plant Leases

The material terms and conditions of the Toowoomba Batching Plant Lease and each of the Batching Plant Leases are summarised in the table below:

Table 5: A summary of the material terms and conditions

	Property address	Lease Inception Date	Lease term	Lease option	Rent at inception (per annum)	Rent Reviews[1]	Current rent (per annum)[2]
Toowoomba Batching Plant	580 Alderley Street, Toowoomba	1-Feb-19	20 years, 10 months and 6 days	4 x 5 years	$480,345.60	Annual CPI increase	$1,249,668.93
Narangba Batching Plant	115 Potassium Street, Narangba	26-Feb-20	20 years	4 x 5 years	$655,686.58	Annual CPI increase	$759,279.45
Coolum Batching Plant	97-101 Quanda Road, Coolum Beach	26-Feb-20	20 years	4 x 5 years	$482,835.62	Annual CPI increase	$559,119.48
Yatala Batching Plant	51 Computer Road, Yatala	1-Oct-20	20 years	4 x 5 years	$181,588.60	Annual CPI increase	$214,080.74

Source: Toowoomba Batching Plant Lease, each of the respective Batching Plant Leases and the HOA

Notes:

1. *Rent reviews have a minimum CPI increase of 3.0% per annum*
2. *The rent for the Toowoomba Batching Plant was increased on 1 July 2019 to $943,353 to reflect the Toowoomba Batching Plant capital works being included in the annual rent, in accordance with the lease terms. While the Toowoomba Batching Plant Lease Inception Date precedes the HOA signing date, Wagners have advised that the HOA terms were applied, as agreed with Wagner Real Estate. The current rent for the Toowoomba Batching Plant will be subject to a CPI increase on 8 December 2023, in accordance with the lease terms.*

The Toowoomba Batching Plant Lease also includes a workshop/warehouse/office facility (**Workshop**), which sits on the lease site. The annual rent for the Toowoomba Batching Plant Lease includes both the Workshop and the ready-mix concrete batching plant.

The Yatala Batching Plant Lease currently relates solely to the Yatala Land, as no significant capital works have been initiated to date. However, Wagners have recently entered into a contract for the capital works at the site.

For FY20 and FY21 (being the financial periods corresponding with the Batching Plant Leases Inception Dates), the production volume (in cubic metres) for each of the Toowoomba, Narangba and Coolum batching plants, on an annualised basis, as a proportion of the total production volume generated by Wagners, has been summarised in the table below.

Table 6: Analysis of production volumes

$ unless otherwise stated	FY20	FY21
Toowoomba Batching Plant	*47%*	*43%*
Narangba Batching Plant	*4%*	*12%*
Coolum Batching Plant	*3%*	*13%*

Source: Wagners

Notes:

1. *Whilst the Narangba and Coolum Batching Plants FY20 production percentage is an annualised figure, it is representative of a ramp-up period of production. The FY21 period reflects a more normalised level of production for both Batching Plants.*

This shows that these three batching plants contributed a significant proportion of Wagners' total concrete production (at more than 50% of volume in each year).

For FY20, the annualised rent for the Batching Plant Leases and the Toowoomba Batching Plant Lease was less than 2.0% of total operating expenditure for the period.

6.4 *Balance sheet implications*

We have summarised Wagners gross bank debt and market capitalisation as at 8 December 2017, 30 June 2018, 30 June 2019 and 30 June 2020 in the table below.

Table 7: A summary of historical gross bank debt and market capitalisation

$ thousand unless otherwise stated	IPO[1]	30-Jun-18	30-Jun-19	30-Jun-20
Gross Bank Debt	66,600	68,000	80,000	63,550
Market capitalisation	437,300	701,984	290,476	207,789

Source: Wagners, Capital IQ, Prospectus

Notes:

1. *Indicative market capitalisation at IPO as per the IPO prospectus.*

Having regard to the Wagners level of debt, Management felt at the time that it was inappropriate to take on additional external debt. This, together with the strategic initiative to grow the SEQ ready-mix concrete batching plant network, led to Wagners entering into the Toowoomba Batching Plant Lease and the Batching Plant Leases.

The initial recognition of the right of use (**RoU**) asset for the Toowoomba Batching Plant Lease (including the Workshop) and for each of the Batching Plant Leases is summarised in the table below and (we have included Wagners total RoU assets, for reference):

Table 8: A summary of the RoU asset for the Toowoomba, Narangba and Coolum Batching Plants and total RoU assets for Wagners as at 30 June 2020

$ thousand unless otherwise stated	RoU assets at 30 June 2020
Toowoomba Batching Plant	15,707
Narangba Batching Plant	11,599
Coolum Batching Plant	8,541
Total Batching Plant RoU assets	**35,847**
Wagners Reported RoU assets	**92,489**

Source: Wagners

The total property, plant and equipment (**PP&E**) balance (excluding RoU assets) for Wagners as at 30 June 2020 was $143.7 million (comprising of $14.7 million of land improvements and buildings, $87.2 million of plant and equipment, $31.0 million of motor vehicles and $10.8 million of assets under construction).

The initial recognition of the RoU asset for the Yatala Batching Plant Lease is summarised in the table below (we have included Wagners total RoU assets, for reference):

Table 9: A summary of the RoU asset for the Yatala Batching Plant and total RoU assets for Wagners as at 30 June 2021

$ thousand unless otherwise stated	RoU assets at 30 June 2021
Yatala Batching Plant	3,100
Wagners Reported RoU assets	**93,739**

Source: Wagners

The total PP&E balance (excluding RoU assets) for Wagners as at 30 June 2021 was $141.5 million (comprising of $16.5 million of land improvements and buildings, $81.1 million of plant and equipment, $25.6 million of motor vehicles and $18.3 million of assets under construction).

The above analysis shows that Wagners has been successful in implementing the strategy set out in the Prospectus, of growing their network of batching plants through their capital management strategy of leasing the batching plants as opposed to outright ownership, to allow for greater financial flexibility.

7 *Market value of rent*

The market value of rent is defined as the estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

The market rental for a subject property, can be determined in a number of ways:

- **Comparable Transactions:** Undertaking an investigation into leasing activity for comparable properties to the subject property in the relevant locations. This approach is the more common approach and typically adopted where there is a good selection of comparable transactions that provide sufficient supporting benchmark data.

- **Return on Capital:** Calculating the market value of the subject property and calculating the rental required to deliver an appropriate return on capital. This approach is more commonly adopted when the subject property is unique and/or there are limited comparable transactions. Given the specialist nature of the batching plants, we have adopted this approach for the Toowoomba Batching Plant Lease and each of the Batching Plants Leases.

We have excluded any outgoings related to the Batching Plant Leases and the Toowoomba Batching Plant Lease on the basis that any outgoings incurred will be recovered by the landlord, essentially on a cost recovery, with little to no additional margin being achieved by the landlord.

7.1 Toowoomba Batching Plant Lease and the Batching Plant Leases: Market Value of Rent

In forming our view of the market value of the annual rent to adopt for the Toowoomba Batching Plant Lease and each of the Batching Plant Leases, at the relevant Lease Inception Dates, we have:

- assessed the market value of assets being leased
- assessed the required rate of return applicable to each lease
- applied our adopted rate of return range to our assessed market value of assets.

This is discussed further in the sections below.

7.1.1 Assessed the market value of the assets being leased

For the purposes of assessing the market value of the assets being leased under the Toowoomba Batching Plant Lease and each of the Batching Plant Leases, we have:

- adopted the following definition of market value: *"the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion"*
- relied upon the work performed by M3 Property, who have been engaged determine the market value of the parcels of Land forming part of the Toowoomba Batching Plant Lease and each of the Batching Plant Leases. In determining the market value of Land, M3 Property have utilised the direct comparison method (or market approach). The direct comparison method compares the Land to sales involving similar vacant industrial land and applies a $ rate per square metre to the subject property which is derived from an analysis of these comparable sales, on a rate per square metre of useable land basis. This rate has regard to the location attributes, site access, site constraints, surrounding amenity, development approval status, the relativity of market conditions as at the Lease Inception Date and other factors the valuer deems appropriate. M3 Property's findings are set out in their reports for the Toowoomba Batching Plant Lease and each of the Batching Plant Leases, which are included in Appendix 4
- determined the market value of the fixed plant and equipment (**Fixed P&E**) at the Narangba and Coolum Batching Plants, the Toowoomba Batching Plant and the Workshop. This is discussed in further detail in Appendix 5. In determining the market value of Fixed P&E we have adopted a depreciated replacement cost (**DRC**) approach to value each of the Batching Plants and the Workshop. As the Yatala Batching Plant site was vacant at the relevant Lease Inception Date and

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continues to be vacant at the time of this report, we have not assessed a market value for the Yatala Fixed P&E

- adopted the transaction costs and holding costs (**Transaction and Holding Costs**) incurred by Wagners, given they form part of the asset base being leased, as stated in the HOA. We have assumed the actual costs incurred are a reasonable proxy for their market value. The Transaction and Holding Costs include the following:
  - direct costs associated with the purchase of the site, including registration fees, transfer duty and legal costs
  - holding costs incurred between the settlement date and the Lease Inception Dates, being 7.4% of the purchase price and any direct costs incurred during the period.
- calculated a total market value (**Total Capital Value**) for each of the Batching Plants at the relevant Lease Inception Dates, being the sum of the market value of the Land plus the market value of the Fixed P&E plus the incurred Transaction and Holding Costs, as set out in the table below:

Table 10: Total Capital Value of the Toowoomba Batching Plant Lease and each of the Batching Plant Leases

$ thousand unless otherwise stated	Appendix Reference	Narangba Batching Plant	Coolum Batching Plant	Yatala Batching Plant	Toowoomba Batching Plant
Land	4	1,350	950	2,100	4,000
Fixed P&E	5	7,400	5,550	-	8,265
Transaction and Holding Costs		136	89	315	7
Total Capital Value		**8,886**	**6,589**	**2,415**	**12,272**

Source: M3 Property, KPMG Corporate Finance analysis

7.1.2 Assessed the required rate of return the Toowoomba Batching Plant Lease and each of the Batching Plant Leases

In assessing the required rate of return for the Toowoomba Batching Plant Lease and each of the Batching Plant Leases, we have undertaken the following:

- **Wagners' cost of debt** – We have estimated Wagners' cost of debt range as at the relevant Lease Inception Dates, on the understanding that this is one of the factors a lessor would have assessed in determining a market rent. We believe the required rates of return for the Toowoomba Batching Plant Lease and each of the Batching Plant Leases would likely be more aligned to the Wagners cost of debt, with the high end of the range including a small premium, given the specialised nature of the batching plants and the limited security provided, being the assets under the lease. A summary of our analysis is set out at Appendix 6
- **Notional Lessor weighted average cost of capital** (**WACC**) – We have calculated a market WACC for a notional leasing entity to assess the required rate of return range for a portfolio of assets from a lessor's perspective. As the lease payments are pre-tax, we have calculated an indicative pre-tax WACC, to ensure consistency. We believe the required rates of return for the Toowoomba Batching Plant Lease and each of the Batching Plant Leases would likely be at a discount to the notional lessor's pre-tax WACC, given the pre-tax WACC relates to an ongoing business and as such

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encompasses a broader range of risks than a single asset. A summary of our analysis is set out at Appendix 6.

Based on the above analysis, we have concluded on a required rate of return range for the Toowoomba Batching Plant Lease and each of the Batching Plant Leases at the relevant Lease Inception Dates as set out in the table below:

Table 11: The adopted rates of return

	Lease Inception Date	Low	High
Toowoomba Batching Plant	1/02/2019	7.8%	8.8%
Narangba Batching Plant	26/02/2020	7.0%	8.0%
Coolum Batching Plant	26/02/2020	7.0%	8.0%
Yatala Batching Plant	1/10/2020	7.5%	8.5%

Source: KPMG Corporate Finance analysis

Notes:

1. *The adopted rate of return range has been rounded to one decimal place*

7.1.3 Toowoomba Batching Plant Lease and Batching Plant Leases: Market Rent

We have applied our adopted rate of return range to our assessed Total Capital Value for the Toowoomba Batching Plant Lease and each of the Batching Plant Leases and calculated the Market Value of Rent as set out in the tables below:

Table 12: The Market Value of Rent for the Toowoomba Batching Plant Lease

$ thousand unless otherwise stated	Appendix Reference	Toowoomba Batching Plant	
		Low	*High*
Total Capital Value		**12,272**	**12,272**
Rate of return	6	*7.8%*	*8.8%*
Market Value of Rent		**957**	**1,080**

Source: M3 Property, KPMG Corporate Finance analysis

Table 13: The Market Value of Rent for the Batching Plant Leases

$ thousand unless otherwise stated	Appendix Reference	Narangba Batching Plant		Coolum Batching Plant		Yatala Batching Plant	
		Low	*High*	*Low*	*High*	*Low*	*High*
Total Capital Value		**8,886**	**8,886**	**6,589**	**6,589**	**2,415**	**2,415**
Rate of return	6	*7.0%*	*8.0%*	*7.0%*	*8.0%*	*7.5%*	*8.5%*
Market Value of Rent		**622**	**711**	**461**	**527**	**181**	**205**

Source: M3 Property, KPMG Corporate Finance analysis

Appendix 1 – KPMG Corporate Finance Disclosures

Qualifications

The individuals responsible for preparing this report on behalf of KPMG Corporate Finance are Bill Allen and Adele Thomas. Each has a significant number of years of experience in the provision of corporate finance advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of expert reports.

Bill Allen is an Authorised Representative of KPMG Financial Advisory Services (Australia) Pty Ltd and a Partner in the KPMG Partnership. Bill is an Associate of Chartered Accountants Australia and New Zealand and holds a Bachelor of Commerce degree and a Graduate Diploma in Applied Finance.

Adele Thomas is an Authorised Representative of KPMG Financial Advisory Services (Australia) Pty Ltd and a Partner in the KPMG Partnership. Adele is a member of Chartered Accountants Australia and New Zealand and holds Bachelor degrees in Commerce and Accounting.

Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than KPMG Corporate Finance's opinion as to whether each of the Related Party Lease Transactions are fair and reasonable to the Non-Associated Shareholders. KPMG Corporate Finance expressly disclaims any liability to any Non-Associated Shareholder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

Other than this report, neither KPMG Corporate Finance nor the KPMG Partnership has been involved in the preparation of the Explanatory Memorandum or any other document prepared in respect of the Related Party Lease Transactions. Accordingly, we take no responsibility for the content of the Explanatory Memorandum as a whole or other documents prepared in respect of the Related Party Lease Transactions.

Our report makes reference to "KPMG Corporate Finance analysis". This indicates only that we have (where specified) undertaken certain analytical activities on the underlying data to arrive at the information presented.

Independence

KPMG Corporate Finance the individuals responsible for preparing this report have acted independently. In addition to the disclosures in our Financial Services Guide, it is relevant to a consideration of our independence that, during the course of this engagement, KPMG Corporate Finance provided draft copies of this report to Management of Wagners for comment as to factual accuracy, as opposed to opinions which are the responsibility of KPMG Corporate Finance alone. Changes made to this report as a result of those reviews have not altered the opinions of KPMG Corporate Finance as stated in this report.

Other than fees to be received in respect to preparing this report, neither KPMG Corporate Finance nor the KPMG Partnership have provided professional services to Wagners or Related Parties in relation to the Related Party Lease Transactions.

Consent

KPMG Corporate Finance consents to the inclusion of this report in the form and context in which it is included with the Explanatory Memorandum to be issued to the shareholders of Wagners. Neither the whole nor the any part of this report nor any reference thereto may be included in any other document without the prior written consent of KPMG Corporate Finance as to the form and context in which it appears.

Professional standards

Our report has been prepared in accordance with professional standard APES 225 “Valuation Services” issued by the Accounting Professional & Ethical Standards Board. KPMG Corporate Finance and the individuals responsible for preparing this report have acted independently.

Appendix 2 – Sources of information

In preparing this report we have been provided with and considered the following sources of information:

Publicly available information:

- various ASX company announcements (including the Wagners prospectus)
- various press and media articles
- information from Machinerytrader.com.au, pickles.com.au, Oanda currency converter and Australian Bureau of Statistics
- various reports published by IBISWorld Pty Ltd
- data from Rawlinsons Construction Cost Guide 2019
- financial information from Bloomberg and S&P Capital IQ
- M3 Property Reports
- the Explanatory Memorandum and Notice of Meeting.

Non-public information:

- various documents containing information and analysis provided by Management
- copies of various lease documentation in relation to the Related Party Lease Transactions
- data collected during the site inspection on 2 November 2023 at the Narangba and Coolum Batching Plants and on 17 November 2023 at the Toowoomba Batching Plant
- discussion with OEM manufacturers and vendors
- background information in relation to the various properties.

In addition, we have had discussions with the following persons:

- Karen Brown, General Counsel and Company Secretary of Wagners
- Fergus Hume, Chief Financial Officer of Wagners
- Ross Walker, Independent Director of Wagners
- Matt Grulke, General Manager, Concrete, Reinforcing Steel and Precast of Wagners
- Ivan Clark, Group Technical Manager of Wagners.

Appendix 3 – Industry overview

To provide context for the industry in which Wagners operated as at the various Lease Inception Dates and operates in now, we have set out below an overview of the ready-mixed concrete manufacturing industry in Australia. All data is sourced from IBIS World Pty Ltd (**IBISWorld**) from information known in 2020, unless otherwise stated.

Ready-mixed concrete manufacturing in Australia on or around Lease Inception Dates

The ready-mixed concrete manufacturing industry in Australia involves companies that manufacture ready-mixed concrete or mortar, dry-mix concrete and concrete slurry. These firms deliver ready-for-pouring mixed concrete and mortar to the customer in an unhardened state. Standard concrete accounts for 59.6% of the industry, with high performance concrete accounting for 25.9%, specialist applications accounting for 7.8% and decorative concrete accounting for 6.7%.

For the five year period from 2015 to 2020, the ready-mixed concrete manufacturing industry experienced moderate growth within Australia, as reflected in an annualised industry revenue growth rate of 0.9% (real). In 2020, the industry was largely dominated by four major players, with Boral Limited, Hanson Australia, Holcim Australia and Barro Group commanding a combined 69% of the market share, with the remainder divided amongst small-scale establishments. Each of the four major players competed in each market against smaller, independent operators, given the industry is spatially fragmented in nature. Due to the perishable nature of ready-mixed concrete, the transportation of the product is typically limited to 40 to 50 kilometres.

The key demand drivers in the industry included:

- Demand from heavy industry: Large-scale engineering and mining infrastructure projects that were increasingly funded by private markets
- Residential building construction: The construction and/or refurbishment of dwellings ranging from houses, townhouses to multi-unit apartments
- Non-residential building construction: High-performance concrete necessary for the construction of wide-span and high-rise developments such as office towers and shopping centres
- Road and bridge construction: Road transport infrastructure in the form of road edging, footpaths and road surfacing.

Outlook

The ready-mixed concrete manufacturing industry in Australia had been impacted by fluctuating demand over the five years to FY20, with total industry revenue for FY20 at $6.5 billion. The outlook for the industry from FY20 to FY25 was for the industry revenue to grow at an annualised rate of 1.4% (real) from FY20 to FY25, to a total of $7.0 billion. Profit margins were also forecast to slightly widen to 8.3% in FY25 compared to 7.6% in FY20.

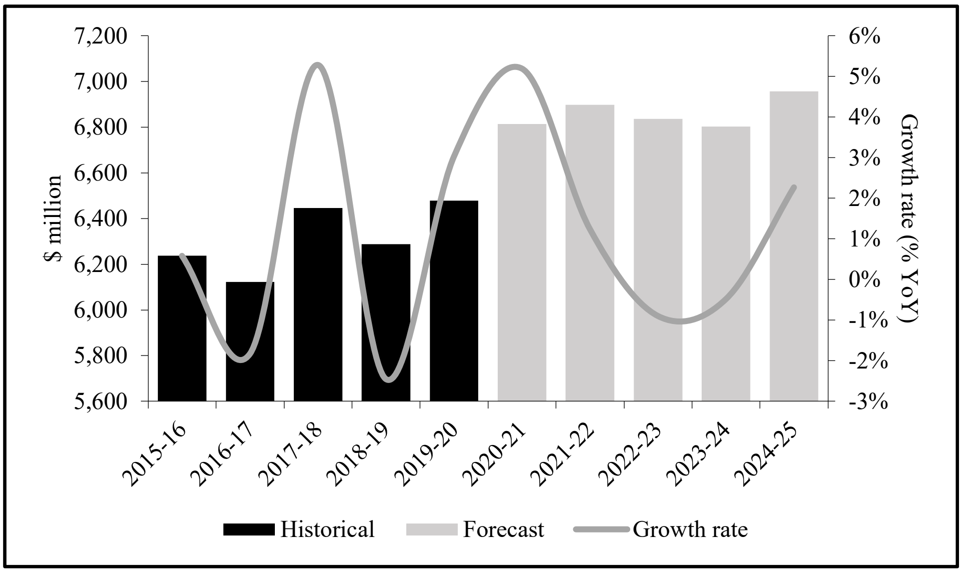
Growth in the industry was expected to be mainly derived from the non-building infrastructure markets. This was forecast to be underpinned by various major projects including the Melbourne Metro Tunnel, the Sydney Metro City and Southwest rail projects, alongside the Western Sydney International Airport. Growth was also expected to be driven by increased activity in the mining sector through the development of new mining projects.

Concrete demand from the residential market was forecast to slightly decline, given the then recent completion of several large-scale projects and the lag between project completion and start-up in the apartment building segment. However, demand was expected to gradually rebound due to favourable population growth tailwinds necessitating the development of new residential dwellings.

The beginning of COVID-19 was expected to significantly impact the industry and wider construction activity due to increased economic uncertainty. However, given the lack of information available in early 2020 about the spread and subsequent governmental response to the virus, it was unclear how and what the impacts of COVID-19 would be for the industry at that point in time.

As such, despite the short-term potential shocks to the industry caused by COVID-19, the mid to long-term outlook in the industry was expected to be underpinned favourably by increased investment and activity in the infrastructure development sector, partially attributed to population growth.

Figure 5: Revenue for the ready-mixed concrete manufacturing in Australia



Source: IBISWorld

Notes:

1. *Industry revenue data is presented on a real basis.*
2. *YoY is an abbreviation for year on year.*

Ready-mixed concrete manufacturing in Australia – current view

As at June 2023, industry revenue in Australia had declined at an annualised industry rate of 1.1% (real) for the five year period between FY18 and FY23. The decline in industry revenue is largely attributable to multi-unit apartment and townhouse construction plummeting from a record peak in FY18, albeit partially offset by a surge in single-unit house construction following Federal Government's HomeBuilder stimulus and low interest rates. Single-unit house construction peaked in FY22 and has since declined as the stimulus ended and mortgage interest rates rose.

The outlook for the industry in Australia from FY23 to FY28 is for revenue to grow at an annualised rate of 1.7% (real).

Notwithstanding the underperformance in the industry between FY20 and FY23, which as discussed above, was largely a function of the decline in multi-apartment and townhouse construction, we consider that the industry outlook has not materially changed from FY20 to FY23.

Appendix 4 – M3 Property Reports

Please see below links to access the M3 Property Reports.

Tooowomba Batching Plant

https://investors.wagner.com.au/media/1100/j15054_580-alderley-street-harristown.pdf

Narangba Batching Plant

https://investors.wagner.com.au/media/1099/j15054_115-potassium-street-narangba.pdf

Coolum Batching Plant

https://investors.wagner.com.au/media/1097/j15054_-97-101-quanda-road-coolum-beach.pdf

Yatala Batching Plant

https://investors.wagner.com.au/media/1098/j15054_51-computer-road-yatala.pdf

Appendix 5 – Market value of Fixed P&E

Scope

The scope of the plant & equipment valuation (**P&E Valuation**) is the Fixed P&E:

- located at the operating Batching Plants (Toowoomba, Coolum and Narangba) which includes the following components: tanks, silos, augers (exclusive to the Coolum and Toowoomba Batching Plants), aggregate bins, aggregate bunkers, conveyors, aggregate holding and mixing chute (exclusive to Narangba Batching Plant), washout facilities, storage and waste bunkers, flush tanks, treatment tanks with filters and pumps, and associated electrical reticulation assets. The Fixed P&E value encompasses cost components, including concept and design, civil works and a reasonable profit margin.
- also located at the Toowoomba Batching Plant site is the Workshop, which is co-located with the Toowoomba Batching Plant and includes: industrial shed, office, gantry crane, rail trach, car park, hardstand and driveway
  (together, the **Subject Assets**).

The overall instrumentation, software assets, and equipment for the EFC business at each site are excluded from the scope of the P&E Valuation. We understand that these assets are owned and maintained by Wagners and that they do not form part of the assets leased under the Batching Plant Leases nor Toowoomba Batching Plant Lease.

Basis of value

The P&E Valuation has been prepared on the basis of market value.

Date of valuation

The P&E Valuation has been prepared at the respective Lease Inception Dates for each of the operating Batching Plants, as detailed below:

- Toowoomba Batching Plant (including the Workshop): 1 February 2019
- Narangba Batching Plant: 26 February 2020
- Coolum Batching Plant: 26 February 2020.

Adopted approach

Based on the specialised nature of the assets, KPMG Corporate Finance has relied on the DRC approach to value the Subject Assets.

In performing the P&E Valuation, we have primarily relied on information contained in the asset listings provided by Management (as detailed in Appendix 2) and detailed information supplied in response to our requests for information (e.g. asset description, working condition, capacity, utilisation etc.). We have also performed a physical inspection of the Fixed P&E at the following locations:

- 115 Potassium St, Narangba Queensland 4504 on 2nd November 2023
- 97 Quanda Rd, Coolum Beach Queensland 4573 on 2nd November 2023
- 580 Alderley St, Toowoomba City Queensland 4350 on 17th November 2023.

Under the DRC approach, the market value of an asset is estimated as a function of the current cost to purchase or replace the asset, adjusted to reflect the age and utility of the asset. This is based upon the principle of substitution, which states that a prudent investor would typically pay no more for an asset than the amount necessary to replace the asset.

The DRC approach involves a number of steps:

- determining the replacement cost new (**RCN**) for each asset
- estimating each asset's normal useful life, remaining useful life and its salvage value
- applying adjustments for physical depreciation/deterioration which is defined as the diminution in value that occurs as a result of wear and tear through use, exposure to the elements, and the passage of time
- assessing/adjusting for functional obsolescence which represents the reduction in value caused by inutility, excess capital costs, excess operating cost, and/or insufficient business economic factors, specific or external to the assets
- assessing/adjusting for economic obsolescence which is defined as the loss in value or usefulness of a property caused by factors external to the asset.

Replacement Cost New

When applying the DRC approach, the direct or indirect method may be used to estimate the RCN:

- the direct cost approach involves researching the current cost to replace an asset with a new one of equivalent functionality
- the indirect cost approach involves applying equipment-specific inflation factors to historical costs, resulting in an estimate of RCN that is often referred to as reproduction cost new.

Critical assumptions and limiting conditions

In determining the market value of the Subject Assets, as at the respective Lease Inception Dates, we have made the following assumptions:

- our assessment includes assets described in the Scope section above
- the Subject Assets existed and were in working condition as at the respective Lease Inception Dates
- the Subject Assets were valued on an "as-is, where is" basis and valued on the basis that they will continue to be used at their present location for the continuation of business operations for their useful life
- we assume, unless advised otherwise, that as of the relevant Lease Inception Dates, there were no timber infestations, asbestos, or other defects, and that the Subject Assets were compliant with all relevant environmental laws
- we have relied on information provided by Management in relation to asset data (including asset description, cost information, working condition, etc.).

Narangba and Coolum Batching Plant Fixed P&E

In applying the DRC approach, we have adopted the indirect method for estimating the RCN by applying relevant inflation factors (sourced from the Australian Bureau of Statistics (**ABS**)) to the construction costs associated with the Narangba and Coolum Batching Plants over a 12-month average construction period (being the period advised by Management). The indirect method has been selected due to the recent construction of these Batching Plants, at the relevant Lease Inception Dates. Based on our indirect approach analysis, the original construction costs of both the Narangba and Coolum Batching Plants are considered to be a reasonable representation of their RCN.

Given the recent construction of these Batching Plants, no adjustments have been applied for:

- physical deterioration
- an assessment for normal/remaining useful lives and the related salvage values
- functional and economic obsolescence.

As a result, the original construction costs of the Fixed P&E at each of the Narangba and Coolum Batching Plants have been adopted as their market value.

Toowoomba Batching Plant Fixed P&E

The Toowoomba Batching Plant was not newly constructed as at the Lease Inception Date. It was originally owned and operated by Wagners, having been built in 2013. As part of the Toowoomba Batching Plant Lease, this batching plant was relocated to the Toowoomba site in 2019, subject to an extensive refurbishment and then sold to Wagners Properties and Wagners undertook various civil and other works to commission the plant on the site.

As the plant and equipment compromising the Toowoomba Batching Plant was sold between related parties and various construction and civil works were undertaken by Wagners to commission the plant for Wagners Properties, Management commissioned an independent, third-party valuation of the Toowoomba Fixed P&E (**third-party report**), as at 13 June 2019. We have reviewed the third-party report as part of our procedures. As per the findings detailed in the third-party report, the total market value of the Toowoomba Fixed P&E (which was valued using the DRC approach) as at 13 June 2019 was estimated to be $6.25 million. Based on our review of the third-party report and our independent benchmarking, we consider the $6.25 million market value to be a reasonable estimate of the market value of the Toowoomba Fixed P&E as at the relevant Lease Inception Date.

Toowoomba Workshop

The Toowoomba Workshop was constructed in 1996, undergoing renovations and expansion in 2002 and 2010. The Toowoomba Workshop has a gross lettable floor area of 4,434 m^2. It includes workshop areas, a spray booth, offices, a staff room and a mezzanine area. The workshop has a reinforced concrete slab floor with reinforced concrete strip footings, concrete columns and concrete frame, along with concrete tilt up external walls. The associated improvements include ENFAB (Engineering and Fabrication area) rail track, overhead crane rail track for refurb bay and mechanical section, air lines, two 5-ton & one 20-ton overhead gantry cranes, a concrete-sealed carpark, a driveway, fencing and hardstand (concrete and gravel).

In valuing the Toowoomba Workshop, we estimated the RCN of the assets via the direct approach for the workshop building and associated improvements. We have utilised the Rawlinsons Construction Cost Guide (2019) and KPMG's in-house replacement cost database to determine the RCN. After determining the assets' RCN, we applied adjustments for physical depreciation based on a useful life of 25 years, noting that the Toowoomba Workshop was still within its normal useful life. Based on our understanding of the operational status, condition and utilisation of the Toowoomba Workshop as at the Lease Inception Date, we have not made any adjustments for either functional or economic obsolescence.

Based on our DRC approach, the market value of the Toowoomba Workshop and associated improvements was estimated to be $2.015 million.

Valuation Conclusion

The table below presents the results of our Fixed P&E valuation analysis.

Table 14: Market value of Fixed P&E

$ thousand unless otherwise stated	Lease Inception Date	Capacity (m^3/hr) / Area (m2)	Original cost as at Lease Inception Date	RCN as at Lease Inception Date	Market value as at Lease Inception Date
Toowoomba Batching Plant	1-Feb-19	270	n/a	n/a	6,250
Toowoomba Workshop	1-Feb-19	4,434	n/a	n/a	2,015
Narangba Batching Plant	26-Feb-20	200	7,400	7,502	7,400
Coolum Batching Plant	26-Feb-20	90	5,550	5,623	5,550

Source: KPMG Corporate Finance analysis
Notes:

1. *The Toowoomba Batching Plant was originally constructed in 2013 and was subsequently relocated to Toowoomba in 2019. The market value as at the Lease Inception Date was based on the DRC approach.*
2. *The Narangba and Coolum Batching Plants were brand new as at their respective Lease Inception Dates.*
3. *Original cost and RCN at Lease Inception date inclusive of profit margin.*

Appendix 6 – Calculation of rates of return

As discussed previously, we consider the Wagners estimated cost of debt and a market WACC for a notional lessor to be the most relevant benchmarks, as at each of the relevant Lease Inception Date, as to the rates of return required for the Batching Plant Leases Transaction and the Toowoomba Batching Plant Lease Transaction, on the basis that they have regard to the commercial, funding and operational risks from a both a lessor's and lessee's perspective.

Selection of the appropriate rate of return is fundamentally a matter of judgement. Whilst there is a body of theory that may provide a framework for the derivation on an appropriate rate of return, it is important to recognise that given the level of subjectivity involved in selecting various inputs to the theoretical framework there is no absolute "correct" rate of return.

Notional Lessor WACC

Given the nature of the Batching Plants, there is no one specific company that offers a direct comparison. As a result we have considered both Australian based Real Estate Investment Trusts (**REITs**) and Australian based diversified leasing companies

The WACC of an asset or a business is the expected cost of the various classes of capital (i.e. its equity and debt) employed in the asset (i.e. the required rates of return), weighted by the proportion of each class of capital to the total capital employed and is represented by the following formula, which calculates an after tax nominal rate:

$$\mathrm{WACC} = \mathrm{K_d} \times (1 - \mathrm{t_c}) \times \left(\frac{\mathrm{D}}{\mathrm{D + E}}\right) + \mathrm{K_e} \times \left(\frac{\mathrm{E}}{\mathrm{D + E}}\right)$$

Where the key inputs are defined as follows:

$\mathrm{K_e}$	the after-tax cost of equity, which is the rate of return required by the providers of equity capital
$\mathrm{K_d}$	the pre-tax cost of debt, which is the expected long-term average future borrowing cost of the relevant asset and/or business
$\mathrm{t_c}$	the applicable corporate tax rate
D	the market value of debt
E	the market value of equity

The WACC is an opportunity cost of capital in the sense that it reflects the returns that would have been earned in the market with the relevant capital if it was employed in the next best investment of equivalent risk profile. It represents the minimum weighted average rate of return which is required or expected by the providers of capital as compensation for bearing the risks associated with the relevant investment or business operation.

Consistent with the Australian dollar denominated values of the Batching Plants, we have prepared Australian dollar denominated nominal WACC calculations. We have prepared our WACC calculations as at each relevant Lease Inception Date on a pre-AASB 16 Leases basis, given that AASB 16 was not in force at the time the HOA was negotiated and signed.

Given that the market value of rent effectively represents a pre-tax amount, we have applied a commonly used estimation technique to convert the estimated post-tax WACC range to an indicative pre-tax WACC range. This involves dividing the calculated post-tax WACC by 1-Tax rate (1-30%). This is to ensure these is consistency between the rate of return and the lease payment. In this regard, the estimated Wagner cost of debt is a pre-tax measure.

A summary of the build-up of our WACC rates for the Toowoomba Batching Plant Lease and each of the Batching Plant Leases at the relevant Lease Inception Dates are set out in the table below.

Table 15: WACC calculation

		Toowoomba 1 February 2019		Narangba and Coolum 26 February 2020		Yatala 1 October 2020	
Input	**Definition**	**Low**	**High**	**Low**	**High**	**Low**	**High**
R_f	Risk-free rate of return	3.9%	3.9%	3.1%	3.1%	2.8%	2.8%
β_a	Asset beta (ungeared beta estimate)	0.50	0.60	0.50	0.60	0.60	0.70
β_e	Equity beta (regeared beta estimate)	0.65	0.78	0.65	0.78	0.78	0.91
MRP	Equity market risk premium	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
K_e	**Cost of equity (nominal, post-tax)**	**7.8%**	**8.6%**	**7.0%**	**7.8%**	**7.5%**	**8.3%**
E/(D+E)	Proportion of equity in the capital mix	70%	70%	70%	70%	70%	70%
K_d	Cost of debt (pre-tax)	4.9%	5.4%	3.9%	4.4%	3.5%	4.0%
D/(D+E)	Proportion of debt in the capital mix	30%	30%	30%	30%	30%	30%
WACC	WACC (nominal, post-tax)[2]	6.5%	7.1%	5.7%	6.4%	6.0%	6.6%
Indicative Pre-tax WACC	**WACC (nominal, pre-tax)**	**9.3%**	**10.2%**	**8.2%**	**9.1%**	**8.5%**	**9.5%**

Source: KPMG Corporate Finance analysis

Notes:

1. *amounts may not add exactly due to rounding*
2. *The Australian corporate tax rate of 30% has been applied to calculate the post-tax, nominal WACC rates and to estimate the Indicative Pre-tax WACC range.*

Each of the components of the WACC formula is discussed further below.

Cost of equity (K_e)

The WACC approach represents a merger of the Capital Asset Pricing Model (**CAPM**) with capital structure theory. In the WACC formula discussed earlier, the CAPM provides the means for estimating the cost of equity.

$$K_e = R_f + (\beta \times MRP) + \alpha$$

Where the key inputs are defined as follows:

R_f	risk free rate of return
β	beta factor of the investment or business operation
MRP	equity market risk premium
α	asset specific risk factor

A brief overview of each of the inputs adopted in the calculation of our discount rates is set out below.

Risk free rate (***R_f***)

The risk-free rate of return is the return on a risk-free security, typically for a long-term period. In practice, long dated government bonds are accepted as a benchmark for a risk-free security. In Australia, the spot yield to maturity of 10-year Australian Government Bonds has traditionally been accepted as a proxy for the risk-free rate in determining a cost of equity under the CAPM. Further, the market in 10 year Australian Government Bonds is liquid such that, in our view, the yield on government bonds as at the relevant Lease Inception Dates represents the best indicator of the risk free opportunity cost of the relevant assets for the 10 year period following the relevant Lease Inception Dates.

Continued market volatility and ongoing global economic uncertainty as governments sought to manage the impact of the COVID-19 pandemic as at the relevant Lease Inception Dates, contributed to bond yields trading at significantly below long-term averages. With market evidence indicating that bond yields and the market risk premium (**MRP**) are inversely correlated, it is important that any assessment of the risk-free rate should be made with respect to the position adopted in deriving the MRP. On balance, we consider adopting the spot government bond yield in isolation of a change in the MRP to be inappropriate and therefore we have applied an adjusted risk-free rate to reflect the adoption of a long-term view that represents an appropriate return in the investment environment, as at the relevant Lease Inception Dates.

In this regard, we have assessed a long-term blended risk-free rate estimate by adopting the spot 10 year Australian Government Bond rate as at the relevant Lease Inception Dates for an initial 10 year period, followed by an estimate of the long term rate at that point in time into perpetuity (as sourced from BIS Oxford Economics, Deloitte Access Economics and KPMG Economics). Our adopted inputs are summarised in the table below:

Table 16: Adopted blended risk-free rates

	Lease Inception Date	Spot yield[1]	Long-term	Blended rate
Toowoomba Batching Plant	1-Feb-19	2.24%	4.10%	3.90%
Narangba Batching Plant	26-Feb-20	0.95%	3.28%	3.10%
Coolum Batching Plant	26-Feb-20	0.95%	3.28%	3.10%
Yatala Batching Plant	1-Oct-20	0.79%	2.80%	2.80%

Source: KPMG Corporate Finance analysis
Notes:

1. *Based on the Australian 10 year Government bond yield at the Lease Inception Date.*

Beta factor (β)

The beta factor is a measure of the risk of an investment or business operation, relative to a well-diversified portfolio of investments. In theory, the only risks that are captured by beta are those risks that cannot be eliminated by the investor through diversification. Such risks are referred to as systematic, undiversifiable or market risk. The concept of beta is central to the CAPM given that beta risk is the only risk that is priced into investor required rates of return.

In assessing appropriate beta factors, we have had regard to the adjusted betas of companies with operations broadly similar to the operational categories adopted by us. The adjusted beta is often used to estimate a security's future beta. The adjusted beta is a historical beta adjusted to reflect the tendency of beta to be mean-reverting – that is, the CAPM's beta value is assumed to move towards the market average, of 1, over time.

A summary of our analysis of adjusted betas is set out at Appendix 7.

Having determined an appropriate ungeared beta, it is necessary to "regear" the beta to a specified level of financial gearing to determine the equivalent geared beta.

Debt/equity mix

The selection of an appropriate capital structure is a subjective exercise. The tax deductibility of the cost of debt means that the higher the proportion of debt, the lower the WACC for a given cost of equity. However, at significantly higher levels of debt, the marginal cost of borrowing would increase due to the greater risk which debt holders are exposed to. In addition, the cost of equity would also be likely to increase due to equity investors requiring a higher return given the higher degree of financial risk that they have to bear.

In practice, the existing capital structures of comparable businesses are used as a guide to the likely capital structure for a firm/asset. In selecting an appropriate gearing level at which to regear the asset beta, consideration is given to the long term net debt to value ratio forecast for the asset as well as the historical debt to value ratios observed for market participants. Having regard to this, we have adopted a debt to equity gearing level of 42.9% as at each of the Lease Inception Dates. This equates to a total debt/total capital ratio of 30.0%.

Details of the gearing of those comparable companies considered by us is set out in Appendix 7.

Market risk premium (MRP)

The MRP represents the additional return that investors expect in return for holding risk in the form of a well-diversified portfolio of risky assets (such as a market index) over risk-free assets such as Government bonds. In this context, the required MRP needs to be distinguished from the historical MRP and the expected MRP. In this regard, asset pricing theory holds that:

- the required MRP forms part of the CAPM
- the historical MRP is the same for all investors and reflects the historical differential return of the stock market over government bonds, and
- the expected MRP reflects the expected differential return of the stock market over government bonds. The CAPM assumes the required MRP equals the expected MRP.

As it is difficult to observe the expected/required MRP, it is common practice to base the estimate of the MRP upon historical data. In these circumstances, long term averages may not, in our view, reflect market conditions and investor sentiment at any specific date as perceptions that equities are more or less risky than at other times may prevail. In this regard, we note that the expected MRP is a function of expected earnings, the expected growth in those earnings and the risk-free rate of return at any given point in time.

We have considered the historical relationship between the risk-free rate and the MRP and consider the general observation of an inverse correlation between the risk-free rate and the equity MRP generally applies to all developed markets. Consequently, in our view it is important to consider the risk-free rate in conjunction with, and not in isolation of, the expected equity MRP in order to reflect the inverse relationship between the MRP and the absolute level of the risk-free rate. In this regard, two relevant options are available:

- adopt a long-term historical MRP as a proxy for the expected MRP and apply a higher risk-free rate than the spot government bond yield to take into account the relationship highlighted above; or
- adopt the spot government bond yield as the risk-free rate and adjust the MRP for the perceived additional risks attached to equity investments implicit from historically low (or high as the case may be) bond yields to reflect the current investment environment and the inverse relationship between the two variables.

For the purposes of our analysis, we have adopted the former approach and applied a long-term historical estimate of the MRP, together with a blended risk-free rate, which is higher than the respective spot government bond yields. Accordingly we have adopted a MRP of 6.0% having regard to the long-term investment climate in Australia at each of the Lease Inception Dates.

Asset specific risk adjustment (α)

It is assumed that diversified investors require no additional returns to compensate for specific risks because the net effect of specific risks across a diversified portfolio will, on average, be zero i.e. portfolio investors can diversify away all specific risk. In preparing our WACC estimates for a notional Lessor, we have assumed the notional Lessor has a well diversified, well managed portfolio of leased assets and accordingly we have not included any additional allowance for any asset specific risk.

Cost of debt (K_d)

In determining an appropriate market participant cost of debt at the relevant Lease Inception Dates for the notional lessor we have considered the following:

- estimated a blended pre-tax cost of debt having regard to the then current spot yield of 5-year BBB-rated Australian corporate bonds, the implied credit spread between 5-year BBB-rated Australian corporate bonds and 5-year Australian government bonds and long term estimates of the 5-year Australian government bond yield from economic forecasters (such as Oxford Economics), consistent with our methodology for calculating the blended risk free rate, and
- included an additional 50bps at the high end of the range to account for debt refinancing costs and downside risk in relation to Australian corporates' ability to sustain BBB credit ratings in the long term.

Our adopted pre-tax inputs from a market participant perspective are summarised in the table below:

Table 17: Adopted pre-tax cost of debt

	Lease Inception Date	Low	High
Toowoomba Batching Plant	1-Feb-19	4.9%	5.4%
Narangba Batching Plant	26-Feb-20	3.9%	4.4%
Coolum Batching Plant	26-Feb-20	3.9%	4.4%
Yatala Batching Plant	1-Oct-20	3.5%	4.0%

Source: KPMG Corporate Finance analysis

Corporate tax rate (t_c)

The Australian corporate tax rate of 30% has been applied to calculate the post-tax, nominal WACC rates.

Wagners' cost of debt

In estimating an appropriate cost of debt for Wagners at each of the Lease Inception Dates, we have undertaken two key steps:

- determined an indicative credit profile for Wagners at the relevant Lease Inception Dates, and
- sourced market index information to develop the reference rates having regard to:
  - the indicative credit profile of Wagners
  - the date of the Toowoomba Batching Plant Lease Transaction and the Batching Plant Leases Transaction, and
  - the tenor of the Toowoomba Batching Plant Lease Transaction and the Batching Plant Leases Transaction.

Indicative credit rating

We have determined Wagners' indicative credit rating applying the Moodys' 'Building Materials' credit rating methodology, which is considered to be the most relevant methodology given the nature of the operations.

Moody's methodology consists of both quantitative and qualitative factors that are likely to affect rating outcomes in this sector and to derive the scorecard-indicated outcome. For the quantitative factors, KPMG Corporate Finance has utilised Wagners' audited annual financial statements for the financial year preceding the date of the Toowoomba Batching Plant Lease Transaction and the Batching Plant Leases Transaction to determine the relevant credit metrics. The qualitative factors have been determined based on the KPMG Corporate Finance's understanding of the Wagners' business profile and operating environment.

In order to provide a separate reference point to the indicative credit rating, KPMG Corporate Finance also assessed the margins of Wagners' debt facility and compared this to index pricing for the equivalent tenor of the debt, which arrived at an implied credit rating.

Estimated cost of debt

The reference cost of debt rates have been calculated based on the following components at the relevant Lease Inception Dates in order to derive an all-in rate:

- our findings from above in relation to Wagners' indicative credit rating
- base rates derived from 20 year Australian dollar swap rates, and
- margins applied from comparable industrial indices of both 'B' and 'BB' rated transactions with 20 year tenors and for cross-currency swap aligned to the 20 year Australian dollar and United States dollar base swap rate. United States indices have been utilised as there is not sufficient index data below 'Baa/ BBB' levels in the Australian market to undertake the same analysis.

Our adopted inputs are summarised in the table below:

Table 18: Cost of debt

	Lease Inception Date	Base rate	Base rate	Margin	Margin	All-in-rate	All-in-rate
		Low	*High*	*Low*	*High*	*Low*	*High*
Toowoomba Batching Plant	1-Feb-19	2.6%	2.6%	4.7%	5.6%	**7.4%**	**8.3%**
Narangba Batching Plant	26-Feb-20	1.3%	1.3%	4.7%	6.6%	**6.1%**	**7.9%**
Coolum Batching Plant	26-Feb-20	1.3%	1.3%	4.7%	6.6%	**6.1%**	**7.9%**
Yatala Batching Plant	1-Oct-20	1.2%	1.2%	5.2%	7.5%	**6.4%**	**8.7%**

Source: KPMG Corporate Finance analysis, Bloomberg

Notes:

1. *Amounts may not add exactly due to rounding*

Required rate of return conclusions

In assessing the required rate of return for the Toowoomba Batching Plant Lease and each of the Batching Plant Leases, we consider it appropriate to adopt rates of return aligned to the mid point of the Wagners' cost of debt range, with the high end of the adopted rate of return range including a small premium, given the specialised nature of the batching plants and the limited security provided, being the assets under the lease.

We have placed less reliance on the notional lessor WACC rates as we believe the required rates of return for the Toowoomba Batching Plant Lease and each of the Batching Plant Leases would likely be at a discount to the notional lessor's pre-tax WACC, given the pre-tax WACC relates to an ongoing business and as such encompasses a broader range of risks than a single asset.

The incremental borrowing rate (**IBR**) of the lease liabilities adopted by Wagners was based on their actual of cost of funds, which was based on their short-term bank facilities at the Lease Inception Date. Given Wagners' IBR was determined based on a different tenor and different loan security profile, we have not had regard to Wagners' IBR in determining our adopted rate of returns.

Our adopted rates of return are summarised in the table below:

Table 19: Adopted rates of return

	Lease Inception Date	Low	High
Toowoomba Batching Plant	1-Feb-19	7.8%	8.8%
Narangba Batching Plant	26-Feb-20	7.0%	8.0%
Coolum Batching Plant	26-Feb-20	7.0%	8.0%
Yatala Batching Plant	1-Oct-20	7.5%	8.5%

Source: KPMG Corporate Finance analysis

Notes:

1. *Amounts may not add exactly due to rounding*

Appendix 7 – Listed companies – betas and gearing

Set out below is a summary of our analysis of the unlevered betas of various listed companies considered at each relevant Lease Inception Date.

Table 20: Selected listed comparable companies – financial gearing and ungeared beta as at 1 February 2019

Comparable companies - Beta analysis						
		Market cap	Debt to value		Unlevered beta	
Company name	Country	AUDm	2-year avg	5-year avg	2-year weekly	5-year monthly
REITs						
Arena REIT	Australia	727	19%	20%	0.35	0.60
Australian Unity Office Fund	Australia	440	28%	n/a	0.23	n/a
BWP Trust	Australia	2,351	18%	19%	0.41	0.72
Centuria Industrial REIT	Australia	716	39%	37%	0.31	0.34
Centuria Office REIT	Australia	848	24%	n/a	0.36	n/a
Charter Hall Long WALE REIT	Australia	1,218	n/a	n/a	n/a	n/a
Charter Hall Retail REIT	Australia	1,815	33%	31%	0.41	0.54
Charter Hall Social Infrastructure REIT	Australia	809	26%	26%	0.39	0.65
Growthpoint Properties Australia	Australia	2,787	34%	35%	0.42	0.52
Dexus Industria REIT	Australia	445	26%	25%	0.32	0.43
Garda Property Group	Australia	209	28%	n/a	0.34	n/a
National Storage REIT	Australia	1,200	22%	19%	0.45	0.48
Region Group	Australia	2,286	29%	30%	0.35	0.49
Diversified leasing companies						
Desane Group Holdings Limited	Australia	51	10%	28%	0.64	0.55
GDI Property Group	Australia	731	10%	12%	0.44	0.47
Emeco Holdings Limited	Australia	722	42%	56%	1.08	0.48
SG Fleet Group Limited	Australia	720	10%	n/a	0.72	n/a
Sietel Limited	Australia	58	0%	0%	0.51	0.36
Stockland	Australia	8,938	27%	26%	0.68	0.83
Mean (excl. outliers)			24%	26%	0.63	0.60
Median (excl. outliers)			26%	26%	0.57	0.57

Source: Capital IQ, latest available financial statements of the companies and KPMG Corporate Finance analysis

Notes:

1. *Market capitalisation is at 1 February 2019, converted to Australian dollars (where applicable) as at the same date based on prevailing spot prices (where relevant)*
2. *Debt is average short-term and long-term debt less average cash as disclosed by Capital IQ based on financial accounts available as at 1 February 2019*
3. *Outliers (shaded) have been excluded from the mean and median. For debt to value, outliers have been assessed based on statistical analysis of the data set on a category-by-category basis. For unlevered beta, outliers have been assessed based on statistical confidence levels*
4. *"n/a" denotes insufficient observations.*

Having regard to the above, we consider an ungeared beta range of 0.50 to 0.60 to be appropriate, with higher regard to REITs with a particular focus on the industrial property market (namely Centuria Industrial REIT, Dexus Industria REIT, Charter Hall Long WALE REIT and Growthpoint Properties Australia).

Table 21: Selected listed comparable companies – financial gearing and ungeared beta as at 26 February 2020

Comparable companies - Beta analysis						
		Market cap	Debt to value		Unlevered beta	
Company name	Country	AUDm	2-year avg	5-year avg	2-year weekly	5-year monthly
REITs						
Arena REIT	Australia	966	18%	20%	0.34	0.68
Australian Unity Office Fund	Australia	485	31%	n/a	0.25	n/a
BWP Trust	Australia	2,486	16%	18%	0.55	0.64
Centuria Industrial REIT	Australia	1,282	35%	37%	0.40	0.40
Centuria Office REIT	Australia	1,636	32%	30%	0.37	0.48
Charter Hall Long WALE REIT	Australia	2,732	22%	n/a	0.49	n/a
Charter Hall Retail REIT	Australia	2,243	34%	33%	0.46	0.53
Charter Hall Social Infrastructure REIT	Australia	1,090	26%	25%	0.36	0.73
Dexus Industria REIT	Australia	613	27%	28%	0.26	0.40
Garda Property Group	Australia	276	32%	n/a	0.35	n/a
Growthpoint Properties Australia	Australia	3,296	32%	34%	0.53	0.57
Region Group	Australia	2,873	33%	32%	0.42	0.31
National Storage REIT	Australia	1,868	21%	21%	0.53	0.46
Diversified leasing companies						
Desane Group Holdings Limited	Australia	59	2%	8%	0.41	0.70
GDI Property Group	Australia	797	5%	11%	0.40	0.56
Emeco Holdings Limited	Australia	726	37%	50%	1.25	0.65
SG Fleet Group Limited	Australia	577	11%	10%	0.43	0.65
Sietel Limited	Australia	54	0%	0%	0.34	0.18
Stockland	Australia	11,746	30%	27%	0.68	0.73
Mean (excl. outliers)			23%	24%	0.57	0.60
Median (excl. outliers)			27%	26%	0.51	0.61

Source: Capital IQ, latest available financial statements of the companies and KPMG Corporate Finance analysis

Notes:

1. *Market capitalisation is at 26 February 2020, converted to Australian dollars (where applicable) as at the same date based on prevailing spot prices (where relevant)*
2. *Debt is average short-term and long-term debt less average cash as disclosed by Capital IQ based on financial accounts available as at 26 February 2020*
3. *Outliers (shaded) have been excluded from the mean and median. For debt to value, outliers have been assessed based on statistical analysis of the data set on a category-by-category basis. For unlevered beta, outliers have been assessed based on statistical confidence levels*
4. *"n/a" denotes insufficient observations.*

Having regard to the above, we consider an ungeared beta range of 0.50 to 0.60 to be appropriate, with higher regard to REITs with a particular focus on the industrial property market (namely Centuria Industrial REIT, Dexus Industria REIT, Charter Hall Long WALE REIT and Growthpoint Properties Australia).

Table 22: Selected listed comparable companies – financial gearing and ungeared beta as at 1 October 2020

Comparable companies - Beta analysis						
		Market cap	Debt to value		Unlevered beta	
Company name	Country	AUDm	2-year avg	5-year avg	2-year weekly	5-year monthly
REITs						
Arena REIT	Australia	921	16%	18%	1.07	1.16
Australian Unity Office Fund	Australia	350	32%	n/a	0.58	n/a
BWP Trust	Australia	2,615	15%	17%	0.76	0.62
Centuria Industrial REIT	Australia	1,583	29%	33%	0.56	0.65
Centuria Office REIT	Australia	1,044	33%	31%	0.87	0.91
Charter Hall Long WALE REIT	Australia	2,573	24%	n/a	0.74	n/a
Charter Hall Retail REIT	Australia	1,998	32%	32%	0.75	0.72
Charter Hall Social Infrastructure REIT	Australia	1,016	21%	23%	1.01	1.10
Dexus Industria REIT	Australia	521	26%	27%	0.71	0.71
Garda Property Group	Australia	223	36%	34%	0.40	0.66
Growthpoint Properties Australia	Australia	2,632	32%	33%	0.79	0.91
National Storage REIT	Australia	1878	19%	19%	0.84	0.77
Region Group	Australia	2379	30%	31%	0.61	0.50
Diversified leasing companies						
Desane Group Holdings Limited	Australia	53	4%	12%	0.64	0.70
Emeco Holdings Limited	Australia	454	34%	47%	1.31	0.95
GDI Property Group	Australia	575	6%	11%	0.76	0.96
SG Fleet Group Limited	Australia	401	11%	8%	1.19	1.20
Sietel Limited	Australia	53	0%	0%	0.48	0.71
Stockland	Australia	9,329	31%	28%	1.30	1.08
Mean (excl. outliers)			23%	24%	0.83	0.84
Median (excl. outliers)			26%	27%	0.76	0.77

Source: Capital IQ, latest available financial statements of the companies and KPMG Corporate Finance analysis

Notes:

1. *Market capitalisation is at 1 October 2020, converted to Australian dollars (where applicable) as at the same date based on prevailing spot prices (where relevant)*
2. *Debt is average short-term and long-term debt less average cash as disclosed by Capital IQ based on financial accounts available as at 1 October 2020*
3. *Outliers (shaded) have been excluded from the mean and median. For debt to value, outliers have been assessed based on statistical analysis of the data set on a category-by-category basis. For unlevered beta, outliers have been assessed based on statistical confidence levels*
4. *"n/a" denotes insufficient observations.*

Having regard to the above, we consider an ungeared beta range of 0.60 to 0.70 to be appropriate, with higher regard to REITs with a particular focus on the industrial property market (namely Centuria Industrial REIT, Dexus Industria REIT, Charter Hall Long WALE REIT and Growthpoint Properties Australia).

Appendix 8 – Selected comparable companies

Company	Description
Arena REIT	Arena REIT is a listed property group that develops, owns and manages social infrastructure properties across Australia. Their current portfolio of social infrastructure properties is leased to a diversified tenant base in the growing early learning and healthcare sectors.
Australian Unity Office Fund	Australian Unity Office Fund is a listed REIT that wholly owns a portfolio of properties located across Australian metropolitan and CBD markets.
BWP Trust	BWP Trust is a real estate investment trust investing in and managing commercial properties throughout Australia. The majority of the Trust's properties are large format retailing properties, in particular, Bunnings Warehouses, leased to Bunnings Group Limited.
Centuria Industrial REIT	Centuria Industrial REIT is Australia's largest domestic pure play industrial REIT and is included in the S&P/ASX 200 Index. Centuria Industrial REIT's portfolio of high-quality industrial assets is situated in key metropolitan locations throughout Australia and is underpinned by a quality and diverse tenant base.
Centuria Office REIT	Centuria Office REIT is Australia's largest ASX listed pure play office REIT and is included in the S&P/ASX300 Index. Centuria Office REIT owns a portfolio of high quality office assets situated in core submarkets throughout Australia.
Charter Hall Long WALE REIT	Charter Hall Long WALE REIT is an Australian REIT listed on the ASX and investing in Australasian real estate assets that are predominantly leased to corporate and government tenants on long term leases. Core sectors include Office, Industrial & Logistics, Retail and Social Infrastructure.
Charter Hall Retail REIT	Charter Hall Retail REIT is the leading owner of property for convenience retailers. Charter Hall Retail REIT is managed by Charter Hall Group.
Charter Hall Social Infrastructure REIT	Charter Hall Social Infrastructure REIT is the largest Australian ASX-listed REIT that invests in social infrastructure properties. Charter Hall Social Infrastructure REIT is managed by Charter Hall Group.
Desane Group Holdings Limited	Desane Group Holdings Limited, engages in the property investment and development activities in Australia. The company operates through Property Development, Property Investment, Property Project Management and Resale, and Property Services segments.
Dexus Industria REIT	Dexus Industria REIT is a listed REIT which is primarily invested in high-quality industrial warehouses and is located across the major Australian cities. The fund has a target gearing range of 30 – 40%. Dexus Industria REIT is governed by a majority Independent Board and managed by Dexus.
Emeco Holdings Limited	Emeco Holdings Limited provides heavy earthmoving equipment and mining service solutions in Australia. The company rents trucks, excavators, dozers, loaders, and graders.
Garda Property Group	Garda Diversified Property Fund is a REIT externally managed by Garda Capital Group. It invests in real estate markets of Australia.
GDI Property Group	GDI is an integrated, internally managed commercial property investor with capabilities in the identification and execution of acquisition opportunities, and then the

Company	Description
	ownership, management, development, refurbishment, leasing, and syndication of assets.
Growthpoint Properties Australia	Growthpoint is a REIT, listed on the ASX, and has $6.9 billion in total assets under management. They own and manage 58 high quality, modern office and industrial properties.
National Storage REIT	National Storage is the largest self-storage provider in Australia and New Zealand, with over 225 centres providing tailored storage solutions to over 90,000 residential and commercial customers.
Region Group	Region Group includes two internally managed real estate investment trusts owning a portfolio of convenience-based retail properties located across Australia. Region invests in retail properties predominantly anchored by non-discretionary retailers, with long leases to tenants such as Woolworths Limited, Coles Limited and companies in the Wesfarmers Limited Group.
SG Fleet Group Limited	SG Fleet Group Limited provides motor vehicle fleet management, vehicle leasing, short-term hire, consumer vehicle finance, and salary packaging services in Australia, New Zealand, and the United Kingdom.
Sietel Limited	Sietel Limited invests in industrial, commercial, and retail real estate and listed company securities in Australia. The company also finances and leases facilities, as well as offers plant and management services.
Stockland	Stockland owns, funds, develops and manages one of Australia's largest portfolios of residential and land lease communities, retail town centres, and workplace and logistics assets.

Source: Capital IQ

Part Two – Financial Services Guide

Dated: 20 December 2023

What is a Financial Services Guide (**FSG**)?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by KPMG Financial Advisory Services (Australia) Pty Ltd (**KPMG FAS**) ABN 43 007 363 215, Australian Financial Services Licence Number 246901 (of which KPMG Corporate Finance is a division) (**KPMG Corporate Finance**). Bill Allen is an authorised representative of KPMG FAS, authorised representative number 405336 and Adele Thomas is an authorised representative of KPMG FAS, authorised representative number 404180 (each, **Authorised Representative**).

This FSG includes information about:

- KPMG FAS and its Authorised Representative/s and how they can be contacted;
- The services KPMG FAS and its Authorised Representative/s are authorised to provide;
- How KPMG FAS and its Authorised Representative/s are paid;
- Any relevant associations or relationships of KPMG FAS and its Authorised Representatives;
- How complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and
- The compensation arrangements that KPMG FAS has in place.

The distribution of this FSG by the Authorised Representatives has been authorised by KPMG FAS. This FSG forms part of an Independent Expert Report (**Report**) which has been prepared for inclusion in a disclosure document or, if you are offered a financial product for issue or sale, a Product Disclosure Statement (**PDS**). The purpose of the disclosure document or PDS is to help you make an informed decision in relation to a financial product. The contents of the disclosure document or PDS, as relevant, will include details such as the risks, benefits, and costs of acquiring the particular financial product.

Financial services that KPMG FAS and the Authorised Representative are authorised to provide:

KPMG FAS holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for the following classes of financial products:

- Deposit and non-cash payment products;
- Derivatives;
- Foreign exchange contracts;
- Government debentures, stocks or bonds;
- Interests in managed investments schemes including investor directed portfolio services;
- Securities;
- Superannuation;
- Carbon units;
- Australian carbon credit units; and
- Eligible international emissions units,
- to retail and wholesale clients.

We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products. The Authorised Representative is authorised by KPMG FAS to provide financial product advice on KPMG FAS's behalf.

KPMG FAS and the Authorised Representative's responsibility to you

KPMG FAS has been engaged by Wagners Holding Company Limited (**Client**) to provide general financial product advice in the form of a Report to be included in the Explanatory Memorandum (**Document**) prepared by the Client in relation to the Toowoomba Batching Plant Lease Transaction and the Batching Plant Leases Transaction (the **Transaction**).

You have not engaged KPMG FAS or the Authorised Representatives directly but have received a copy of the Report because you have been provided with a copy of the Document. Neither KPMG FAS nor the Authorised Representatives are acting for any person other than the Client.

KPMG FAS and the Authorised Representatives are responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

General Advice

As KPMG FAS has been engaged by the Client, the Report only contains general advice as it has been prepared without taking your personal objectives, financial situation or needs into account. You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Document before making any decision in relation to the Transaction.

Fees KPMG FAS may receive and remuneration or other benefits received by our representatives

KPMG FAS charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay KPMG FAS $143,500 for preparing the Report. KPMG FAS and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of the Report.

KPMG FAS officers and representatives (including the Authorised Representatives) receive a salary or a partnership distribution from KPMG's Australian professional advisory and accounting practice (the **KPMG Partnership**). KPMG FAS's representatives (including the Authorised Representative) are eligible for bonuses based on overall productivity. Bonuses and other remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report.

Further details may be provided on request.

Referrals
Neither KPMG FAS nor the Authorised Representatives pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

Associations and relationships
Through a variety of corporate and trust structures, KPMG FAS is controlled by and operates as part of the KPMG Partnership. KPMG FAS 's directors and Authorised Representatives may be partners in the KPMG Partnership. The financial product advice in the Report is provided by KPMG FAS and the Authorised Representatives and not by the KPMG Partnership.

From time to time KPMG FAS, the KPMG Partnership and related entities (**KPMG entities**) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

Over the past two years professional fees of nil have been received from the Client. None of those services have related to the Transaction or alternatives to the Transaction.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the Client or has other material financial interests in the Transaction.

Complaints resolution
<u>Internal complaints resolution process</u>

If you have a complaint, please let either KPMG FAS or the Authorised Representatives know. Complaints can be sent in writing to:
The Complaints Officer
KPMG FAS
GPO Box 2291U
Melbourne, VIC 3000
or via email (AU-FM-AFSL-COMPLAINT@kpmg.com.au).

If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on (03) 9288 5555 and they will assist you in documenting your complaint.

We will acknowledge receipt of your complaint, in writing, within 1 business day or as soon as practicable.

Following an investigation of your complaint, you will receive a written response within 30 calendar days. If KPMG FAS is unable to resolve your complaint within 30 calendar days, we will let you know the reasons for the delay and advise you of your right to refer the matter to the Australian Financial Complaints Authority (**AFCA**).

<u>External complaints resolution process</u>

If KPMG FAS cannot resolve your complaint to your satisfaction within 30 days, you can refer the matter to AFCA. AFCA is an independent body that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry. KPMG FAS is a member of AFCA (member no 11690).

Further details about AFCA are available at the AFCA website www.afca.org.au or by contacting them directly at:

Address: Australian Financial Complaints Authority Limited, GPO Box 3, Melbourne Victoria 3001

Telephone: 1800 931 678

Email: info@afca.org.au.

The Australian Securities and Investments Commission also has a freecall infoline on 1300 300 630 which you may use to obtain information about your rights.

Compensation arrangements
KPMG FAS has professional indemnity insurance cover in accordance with section 912B of the Corporations Act 2001 (Cth).

Contact Details
You may contact KPMG FAS using the below contact details:

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Sydney NSW 2000

PO Box H67
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NSW 1213
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