

RESULTS FOR ANNOUNCEMENT TO THE MARKET

This Preliminary Final Report is provided to the Australian Securities Exchange (ASX) under ASX Listing Rule 4.2A.3

Current Reporting Period: 31 December 2022

Previous Corresponding Period: 31 December 2021

For and on behalf of the Directors



DAVID JAMES RICH
COMPANY SECRETARY

Dated: 22 February 2023

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Revenue and Net Profit (Loss)			AUD \$'000's
Revenue from ordinary activities	up	4.0% to	27,357
Profit/ (Loss) from ordinary activities	up	452.5% to	1,826
Net Profit/ (Loss) for the period attributable to members	up	452.5% to	1,826

Dividends

On 21 September 2022, the Company paid a final unfranked ordinary dividend in respect to the financial year ended 30 June 2022 of \$285,000 representing a payment of \$0.0021 per share.

The Directors have declared an unfranked interim dividend in respect to the 30 June 2023 year of \$542,878 representing approximately 30% of Net Profit After Tax and \$0.004 per share with the following relevant details:

Date the dividend is payable	19 April 2023
Record date to determine entitlement to the dividend	9 March 2023
Amount per security	\$0.004
Total dividend	\$542,878
Amount per security of foreign sourced dividend or distribution	N/A
Details of any dividend reinvestment plans in operation	N/A

COMMENTARY

The directors report accompanying this preliminary final report contains an operating and financial review for the period ended 31 December 2022.

NET TANGIBLE ASSET BACKING

	31 Dec 2022	31 Dec 2021
	\$'000's	\$'000's
Net Assets / (Liabilities)	45,173	42,749
Less intangible assets	(19,318)	(17,141)
Net tangible assets of the Company ¹	25,855	25,608
Fully paid ordinary shares on issue at Balance Date	135,719,452	135,719,452
Net tangible asset backing per issued ordinary share as at Balance Date	19.05c	18.87c

¹ Net tangible assets include right-of-use-assets of \$10,307,325 and lease liabilities of \$11,424,427.

AUDIT DETAILS

The accompanying half-yearly financial report has been reviewed. A signed copy of the review report is included in the financial report.



ABN 51 008 944 009

Financial Report for the Half-year Ended
31 December 2022



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CORPORATE DIRECTORY

Directors

Mr Brad Mioceвич (Non-Executive Chairman)
Mr Mark Mioceвич (Managing Director)
Mr Ian Barsden (Non-Executive Director)
Mr Peter Torre (Independent Non-Executive Director)
Mr Michael Bailey (Independent Non-Executive Director)

Company Secretary

Mr David Rich

Registered Office

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Canning Vale WA 6155
Telephone: +61 8 9455 9355

Website

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Share Registry

Computershare Investor Services Pty Ltd
Level 11
172 St Georges Terrace,
Perth WA 6000
Telephone: + 618 9323 2000
Facsimile: + 618 9323 2033

Auditors

HLB Mann Judd (WA) Partnership
Level 4
130 Stirling Street
Perth WA 6000 Australia
Telephone: +618 9227 7500
Facsimile: +618 9227 7533

Stock Exchange

Australian Securities Exchange
(Home Exchange: Perth, WA)

ASX Code

VEE



DIRECTORS' REPORT

The Directors submit the financial report of VEEM Ltd ("the Company") for the half-year ended 31 December 2022. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

DIRECTORS

The names of Directors who held office during or since the end of the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Brad Mioceвич	Non-Executive Chairman
Mark Mioceвич	Managing Director
Ian Barsden	Non-Executive Director
Peter Torre	Independent Non-Executive Director
Michael Bailey	Independent Non-Executive Director

RESULTS OF OPERATIONS

The profit after tax for the half-year ended 31 December 2022 was \$1,825,539 (31 December 2021: \$330,441).

Dividends

On 21 September 2022 the Company paid a final unfranked ordinary dividend in respect to the financial year ended 30 June 2022 of \$285,000 representing \$0.0021 per share (2021: \$585,000 unfranked).

PRINCIPAL ACTIVITIES

The principal activity of the Group during the course of the half-year was the manufacturing of bespoke products and services for the marine, defence and mining industries.

OPERATING AND FINANCIAL REVIEW

Total Revenue for the first half of the 2023 financial year was \$27.4 million, up 4% on the prior corresponding period (2022: \$26.3m). Earnings before interest, tax, depreciation and amortisation (EBITDA) was \$4.2 million (2022: 2.9m) and net profit after tax was \$1.8m (2022: \$0.3m). Cashflow from operations was \$1.4m (2022: \$1.2m). The Group held cash on hand of \$1.4m at 31 December 2022 (30 June 2022: \$2.6m) and has an undrawn overdraft facility of \$3.3m.

Customer Work in Progress increased by \$2.5m to \$9.2m during the period, highlighting that activity levels increased far more than demonstrated only by the increase in sales.

VEEM successfully managed a tightening labour market and resultant rising costs (overtime and higher wages). Chargeable hours were up compared to the second half of FY22 and were slightly down on the corresponding first half of FY22. Propeller and gyro manufacturing are less susceptible to local labour constraints due to automation in the case of propellers and by the global supply chain that the gyro division utilises.

Raw materials prices were mixed over the period with some rising and some relatively stable after several periods of significant rises. Air freight costs have recently stabilised with sea freight costs reducing, significantly in some cases. Where there were rises in input costs, VEEM was able to pass these through to customers preserving margins. VEEM has continued actively looking for sources of supply globally in order to improve margins and lower the risks of its supply chain.

Throughout the period VEEM continued to enjoy the lower nonconformance costs derived from the foundry technical initiatives that were implemented during the 2022 financial year.

Overall, margins remained solid and overheads were well managed resulting in a material improvement in EBITDA and net profit after tax.

Revenue from gyrostabilisers was \$1.7m for the period, up very slightly on the prior corresponding period. Orders on hand totalled \$4.8m at 31 December 2022. Significantly, November 2022 saw VEEM exhibiting at the first full-scale METSTRADE Show (Marine Equipment Trade Show) in Amsterdam since 2019. METSTRADE is the world's largest exhibition dedicated to showcasing marine equipment. The COVID-induced restrictions and slowdowns that have inhibited the marketing, selling, servicing and ultimately the adoption rates of this new technology now seem to be largely behind the Company and with the Head of Sales and Business Development - Europe now in the job for a year, qualified leads are higher than ever, both in number of units and probable value. Commercial projects such as offshore support vessels continue to be very engaged with the technology once the economic, comfort and safety aspects are understood.

The high rates of qualified leads, the evidence of take-up in the small boat recreational market (smaller than VEEM's products) and the continued product improvements that have been made continue to give the Board confidence that the wide adoption of the technology is well on the way and VEEM is the only manufacturer with the products to capitalise on this.



Propulsion sales increased 19% to \$11.7m for the half-year and work in progress also increased \$0.8m over the same period. The two new machining centres installed in FY22 were at full availability for the period with sales of VEEM propellers alone (excludes shaftlines and Conquest) being a record \$10.4m, up 23% on the prior comparative period. Despite this increase, lead times did not reduce indicating continued strong demand. Three new machines have now arrived and are all expected to be fully available by the end of March 2023 providing a platform for further increases in sales over the next six month period.

Defence sales overall were up 18% to \$8.0m mainly due to sales to ASC of \$5.9m in relation to the Collins Class submarine full cycle docking program. Sales to Austal were lower at \$1.6m with some large jobs in progress at 31 December 2022. Work in progress for defence customers also increased \$1.9m over the period.

During the period, following successful delivery of the initial pilot propeller blade in early 2022, BAE Systems Australia, prime contractor for the Hunter Class Frigate Program (HCFP), placed an order with VEEM to manufacture two propeller blades and a hub under the demonstrator program. The value of the contract is \$1.7 million, with the successful completion of the task by Q2 2024 ensuring VEEM qualifies as a supplier to the HCFP. Success with this project could lead to the export of equipment for other naval shipbuilding programs around the world, including other T26 programs. BAE Systems Australia is expected to issue a 'request for proposal' for the propeller and brake blade manufacture for the first batch of three Hunter class frigates in the coming months. Contract award is anticipated in 2024/5.

Engineering products and services revenue, excluding defence and hollow bar, was down \$1.4m to \$3.6m. VEEM's hollow bar product revenue was steady at \$2.4m with a significant order received from Latrobe Magnesium for their Latrobe Valley Stage 1 Demonstration Plant for delivery over the next three years. Demand generally for foundry-led, precision engineered products remains strong, partly due to the closure of several Australian foundries in recent years.

VEEM continued to invest in research and development during the period with a number of staff involved in generating a smaller gyro model and further development of the current gyro range as well as projects related to the engineering and propulsion businesses. VEEM has been using its knowledge of induction heating technology to work with a local Perth liver surgeon in building a small prototype for the treatment of liver cancer. VEEM expects to test the prototype over the next few months.

The accreditation of VEEM to ISO45001 Occupational Health and Safety Management Systems in FY22 led to system improvements that enabled VEEM to progressively reduce Lost Time Injuries (LTIs) to Zero in May 2022 and there have been no LTIs since.

Outlook

As demonstrated by the result for the half-year, VEEM has a robust core foundry and engineering business, including its own products, which allows it to continue to invest and support the focus on driving the growth of the disruptive VEEM Gyro product into the global marine market.

The take-up rate of gyrostabilizers in the small boat recreational market and VEEM's increasing rates of qualified leads provides the Board with confidence that the COVID ramifications have passed and continued investments into marketing, new models and continued product development for large gyros will lead to significant revenues and profits in the coming years.

The global demand for propellers is expected to remain strong and VEEM has recently installed three new machining centres which will significantly increase manufacturing capacity from March 2023. As a result, VEEM expects sales of propellers to continue to increase in line with capacity with margins protected against cost increases by regular pricing reviews. VEEM also continues to drive improvements to its processes through R&D with the goal of improving margins and reducing exposure to labour constraints.

VEEM's defence revenue is expected to remain strong with the deliveries under the upcoming Collins Class submarine full cycle docking to continue for at least the next quarter. Other defence work for a number of different prime contractors, including Austal, is also expected to continue with the building of patrol boats and other platforms. VEEM will continue work on the Hunter demonstrator program and will pursue other options to supply to overseas T26 programs. VEEM is also active and well positioned to take advantage of further defence work opportunities that may arise out of AUKUS.

Demand for the traditional engineering products and services is expected to continue with skilled labour shortages being the main inhibitor of revenue growth in this area. VEEM is working on a number of initiatives to minimise the labour constraints.



SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 22 February 2023, the Directors declared an unfranked interim dividend in respect to the 30 June 2023 year of \$542,878 representing approximately 30% of the Net Profit After Tax and 0.4 cents per share.

Other than the above, there are no significant events subsequent to reporting date.

AUDITOR INDEPENDENCE DECLARATION

Section 307C of Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 5 and forms part of this directors' report for the half-year ended 31 December 2022.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the Corporations Act 2001.

A handwritten signature in black ink, appearing to read 'B. Miocevich', written in a cursive style.

Brad Miocevich
Chairman
Perth, Western Australia
22 February 2023

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of VEEM Ltd for the half-year ended 31 December 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.

Perth, Western Australia
22 February 2023



N G Neill
Partner

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HLB Mann Judd (WA Partnership) is a member of HLB International, the global advisory and accounting network.



Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the half-year ended 31 December 2022

	Note	31 December 2022 \$	31 December 2021 \$
Revenue	4	27,356,646	26,297,335
Other income	4	236,574	262,023
Changes in inventories of finished goods and work in progress		5,538,368	3,763,189
Raw materials and consumables		(14,620,222)	(13,413,155)
Employee benefits expense		(11,849,182)	(11,844,283)
Depreciation and amortisation expense		(1,938,817)	(2,268,371)
Repairs and maintenance expense		(688,137)	(748,528)
Occupancy expense		(645,193)	(600,783)
Borrowing costs expense		(402,353)	(318,570)
Other expenses	5	(1,134,744)	(855,105)
Profit before income tax		1,852,940	273,752
Income tax (expense)/benefit		(27,401)	56,689
Profit after income tax		1,825,539	330,441
Other comprehensive income, net of income tax		-	-
Total comprehensive income for the half-year		1,825,539	330,441
Earnings per share			
Basic earnings per share (cents)		1.35	0.24
Diluted earnings per share (cents)		1.35	0.24

The above Condensed Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.



Condensed Consolidated Statement of Financial Position as at 31 December 2022

	Note	31 December 2022 \$	30 June 2022 \$
ASSETS			
Current Assets			
Cash and cash equivalents		1,430,766	2,632,302
Trade and other receivables		10,164,050	10,328,003
Inventories	6	21,268,218	17,592,930
Current tax assets		80,150	182,610
Other assets	8	1,723,035	1,192,863
Total Current Assets		34,666,219	31,928,708
Non-Current Assets			
Property, plant and equipment	9	18,305,582	17,089,330
Intangible assets	10	19,318,322	18,053,058
Right-of-use assets		10,307,325	11,132,417
Deferred tax assets		3,442,943	2,856,829
Total Non-Current Assets		51,374,172	49,131,634
Total Assets		86,040,391	81,060,342
LIABILITIES			
Current Liabilities			
Trade and other payables	11	9,667,037	7,945,174
Provisions		1,795,019	1,832,013
Borrowings – current	12	2,357,862	1,387,397
Derivative liability		12,017	192,682
Lease liabilities - current		1,548,565	1,491,012
Total Current Liabilities		15,380,500	12,848,278
Non-Current Liabilities			
Borrowings – non current	12	9,175,194	8,121,339
Provisions		100,929	100,929
Lease liabilities – non current		9,875,862	10,666,864
Deferred tax liabilities		6,334,439	5,720,922
Total Non-Current liabilities		25,486,424	24,610,054
Total Liabilities		40,866,924	37,458,332
Net Assets		45,173,467	43,602,010
EQUITY			
Issued capital	13	11,509,613	11,509,613
Reserves	14	55,640	24,722
Retained earnings		33,608,214	32,067,675
Total Equity		45,173,467	43,602,010

The above Condensed Statement of Financial Position should be read in conjunction with the accompanying notes.



Condensed Consolidated Statement of Cash Flows for the half-year ended 31 December 2022

	Note	31 December 2022 \$	31 December 2021 \$
Cash flows from operating activities			
Receipts from customers		28,288,962	28,065,792
Payments to suppliers and employees		(26,876,238)	(26,877,588)
Government subsidies received	4	161,200	38,506
Interest paid		(402,353)	(318,570)
Interest received	4	295	82
Income tax received/(paid)		102,459	(20,333)
Net GST received		168,100	284,158
Net cash flows provided by operating activities		1,442,425	1,172,047
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,021,314)	(1,665,223)
Proceeds from sale of property plant & equipment		-	118,215
Purchase of intangible assets		(1,428,044)	(1,595,047)
Net cash flows used in investing activities		(2,449,358)	(3,142,055)
Cash flows from financing activities			
Dividends paid	18	(285,000)	(585,000)
Proceeds from borrowings		2,000,000	-
Repayments of borrowings		(600,000)	(600,000)
Payments of hire purchase liabilities		(588,769)	(227,754)
Payments of lease liabilities		(733,449)	(645,302)
Net proceeds from issue of shares	13	-	6,368,997
Net cash flows (used in) / provided by financing activities		(207,218)	4,310,941
Net (decrease)/increase in cash and cash equivalents		(1,214,151)	2,340,933
Cash at the beginning of the period, net of overdraft		2,632,302	2,233,076
Effects of exchange rate fluctuations on cash held		12,615	49,357
Cash and cash equivalents at the end of the period, net of overdraft		1,430,766	4,623,366

The above Condensed Statement of Cash Flows should be read in conjunction with the accompanying notes.



Condensed Consolidated Statement of Changes in Equity for the half-year ended 31 December 2022

	Note	Issued Capital \$	Reserves \$	Retained earnings \$	Total \$
At 1 July 2022		11,509,613	24,722	32,067,675	43,602,010
Profit for the half-year		-	-	1,825,539	1,825,539
Other comprehensive income		-	-	-	-
Total comprehensive income for the half-year		-	-	1,825,539	1,825,539
Share-based payment expense recognised		-	12,529	-	12,529
Hedge reserve		-	18,389	-	18,389
Dividends paid	18	-	-	(285,000)	(285,000)
Balance at 31 December 2022		11,509,613	55,640	33,608,214	45,173,467

	Note	Issued Capital \$	Reserves \$	Retained earnings \$	Total \$
At 1 July 2021		5,140,616	-	31,481,836	36,622,452
Profit for the half-year		-	-	330,441	330,441
Other comprehensive income		-	-	-	-
Total comprehensive income for the half-		-	-	330,441	330,441
Shares issued during the year		6,749,000	-	-	6,749,000
Share issue costs		(380,003)	-	-	(380,003)
Share-based payment expense recognised		-	12,193	-	12,193
Dividends paid	18	-	-	(585,000)	(585,000)
Balance at 31 December 2021		11,509,613	12,193	31,227,277	42,749,083

The above Condensed Statement of Changes in Equity should be read in conjunction with the accompanying notes.



Notes to the Condensed Consolidated Financial Statements for the half-year ended 31 December 2022

1. Corporate

The half-year financial report of VEEM Ltd (“the Company”) and the entities it controlled (“the Group”) for the half-year ended 31 December 2022 was authorised for issue on 22 February 2023 in accordance with a resolution of the Directors.

VEEM Ltd is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange. The nature of the operations and principal activities of the Group are described in the Directors’ Report.

2. Basis of Preparation and Accounting Policies

(a) Basis of preparation

These general purpose condensed consolidated financial statements for the half-year ended 31 December 2022 have been prepared in accordance with Australian Accounting Standard 134 Interim Financial Reporting and the Corporations Act 2001. Compliance with AASB 134 ensures compliance with IAS 34 Interim Financial Reporting.

These half-year financial statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial statements. Accordingly, these half-year financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2022 and any public announcements made by VEEM Ltd during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The half-year report has been prepared on an accruals basis and is based on a historical cost basis.

For the purpose of preparing the half-year financial report, the half-year has to be treated as a discrete reporting period. The accounting policies and methods of computation are the same as those adopted in the most recent annual financial statements except for the impact of the new standards and interpretations described in Note 2(b) below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Going Concern

This report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

(b) Adoption of the revised standards

Standards and Interpretations applicable to 31 December 2022

In the half-year ended 31 December 2022, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for reporting periods beginning on or after 1 July 2022 and none of these were considered to have a material impact on the Group. Therefore, no change is necessary to the Group’s accounting policies.

New Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet adopted for the half-year ended 31 December 2022. As a result of this review, the Directors have determined that there is no material impact of the Standard and Interpretations in issue not yet adopted by the Group and, therefore, no change is necessary to its accounting policies.

No other new standards, amendments to standards or interpretations are expected to affect the Group’s financial statements.

(c) Significant accounting judgments and key estimates

The preparation of the half-year financial report requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this half-year financial report, the significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial report for the year ended 30 June 2022.



Notes to the Condensed Consolidated Financial Statements for the half-year ended 31 December 2022

3. Segment Reporting

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The entity does not have any operating segments with discrete financial information.

The Board of Directors review internal management reports on a monthly basis that are consistent with the information provided in the statement of comprehensive income, statement of financial position and statement of cash flows. As a result, no reconciliation is required because the information as presented is what is used by the Board to make strategic decisions.

The Group has two customers where the revenue was in excess of 10% of the Group's revenue. These customers generated 33% (December 2021: 1 Customer for 19%) of the Group's revenue for the half-year.

Although the Group is managed as a single business segment, sales revenue of \$27,356,646 (December 2021: \$26,297,335) can be broken down into the following sales categories. Propulsion and stabilisation consist of the manufacture of new propellers, shaft lines, gyrostabilisers and marine ride control fins. The sales in this category were \$15,012,077 (December 2021: \$15,587,064). Defence related sales for HY2023 totalled \$8,059,887 (December 2021: \$6,807,188) with \$1,731,829 (December 2021: \$3,469,943) of those sales being both within the defence and propulsion/stabilization categories. Sales of engineering products and services (non-defence) for the period were \$6,016,510 (December 2021: \$7,373,026).

4. Revenue

Revenue from contracts with customers

	6 months to 31 December 2022 \$	6 months to 31 December 2021 \$
Sales revenue		
• Revenue – point in time	2,132,093	2,025,281
• Revenue – over time	25,224,553	24,272,054
	27,356,646	26,297,335
Other revenue		
• Government subsidies – Manufacturing Modernisation Fund	-	38,506
• Apprentice subsidies	161,200	117,312
• Interest received	295	82
• Commissions received	830	607
• Scrap metal	15,720	18,314
• Net foreign exchange gain	58,529	87,202
	236,574	262,023

5. Other Expenses

Insurance	(261,913)	(224,250)
Advertising, marketing and travel expense	(265,582)	(139,490)
Other general expenses	(607,249)	(491,365)
	(1,134,744)	(855,105)



Notes to the Condensed Consolidated Financial Statements for the half-year ended 31 December 2022

6. Inventories

	31 December 2022	30 June 2022
	\$	\$
Work in progress – over time	8,642,264	6,339,411
Work in progress – point in time	5,079,388	2,710,818
	<hr/>	<hr/>
	13,721,652	9,050,229
Less: Progress billings	(7,206,983)	(6,690,719)
	<hr/>	<hr/>
	6,514,669	2,359,510
Goods for resale, raw materials and stores at cost	14,753,549	15,233,420
	<hr/>	<hr/>
	21,268,218	17,592,930

7. Financial and Risk Management

Foreign exchange risk

The Group's foreign exchange risk management strategy remains as set out in Note 20 of the annual financial statements for the year ended 30 June 2022. The Group operates in multiple currencies and is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the US\$.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant entity.

Foreign exchange forwards

The Group uses foreign currency forwards to hedge its exposure to foreign currency risk. The Group has determined the fair value of the foreign currency forwards by calculating the present value of future cash flows based on observable forward exchange rates at the balance date. As the forward contracts are used to hedge forecast transactions, the Group designates the full change in fair value of the forward contract as the hedging instrument and recognizes gains and losses relating to the effective portion of the change in fair value of the entire forward contract in the cash flow hedge reserve within equity.

As at 31 December 2022 there were forward exchange contracts in place for USD 3,816,903, EUR 235,000 and GBP 330,638 (30 June 2022: USD 3,655,453, EUR 105,000 and GBP 42,350).

8. Other Assets

	31 December 2022	30 June 2022
	\$	\$
Prepayments	927,406	446,057
Suppliers paid in advance	795,629	746,806
	<hr/>	<hr/>
	1,723,035	1,192,863



Notes to the Condensed Consolidated Financial Statements for the half-year ended 31 December 2022

9. Property, Plant and Equipment

	Plant and Equipment	Motor Vehicles	Computer Equipment	Capital Work in Progress	Total
	\$	\$	\$	\$	\$
As at 30 June 2022					
Cost	42,801,525	662,767	1,785,906	1,121,444	46,371,642
Accumulated depreciation	(27,247,133)	(516,704)	(1,518,475)	-	(29,282,312)
Closing carrying amount	15,554,392	146,063	267,431	1,121,444	17,089,330
Half-year ended 31 December 2022					
Opening carrying amount	15,554,392	146,063	267,431	1,121,444	17,089,330
Additions	1,694,386	-	26,062	446,751	2,167,199
Disposals	-	-	-	-	-
Depreciation and amortisation charge	(888,785)	(10,733)	(51,429)	-	(950,947)
Closing carrying amount	16,359,993	135,330	242,064	1,568,195	18,305,582
As at 31 December 2022					
Cost	44,495,911	662,767	1,811,968	1,568,195	48,538,841
Accumulated Depreciation	(28,135,918)	(527,437)	(1,569,904)	-	(30,233,259)
Carrying amount	16,359,993	135,330	242,064	1,568,195	18,305,582

10. Intangible Assets

	Other Intellectual Property	Product Development	Total
	\$	\$	\$
As at 30 June 2022			
Cost	956,395	19,722,319	20,678,714
Accumulated amortisation	(712,721)	(1,912,935)	(2,625,656)
Closing carrying amount	243,674	17,809,384	18,053,058
Half-year ended 31 December 2022			
Opening carrying amount	243,674	17,809,384	18,053,058
Additions	78,087	1,299,441	1,377,528
Amortisation	(83,588)	(28,676)	(112,264)
Closing carrying amount	238,173	19,080,149	19,318,322
As at 31 December 2022			
Cost	1,034,482	21,021,760	22,056,242
Accumulated amortisation	(796,309)	(1,941,611)	(2,737,920)
Carrying amount	238,173	19,080,149	19,318,322



Notes to the Condensed Consolidated Financial Statements for the half-year ended 31 December 2022

11. Trade and Other Payables

	31 December 2022	30 June 2022
	\$	\$
Trade payables (i)	6,333,647	4,411,999
Annual leave payable	2,019,258	1,964,988
GST payable	235,457	442,802
Other creditors	1,078,675	1,125,385
	9,667,037	7,945,174

(i) Trade payables are non-interest bearing and are normally settled on 30-day terms.

12. Borrowings

	31 December 2022	30 June 2022
	\$	\$
<i>Current</i>		
Floating rate loan facility (a)	1,200,000	400,000
Hire purchase liability	1,342,460	1,112,917
Less: Unexpired charges	(184,598)	(125,520)
	2,357,862	1,387,397
<i>Non-current</i>		
Floating rate loan facility (a)	600,000	400,000
Loan facility – Daily Rate (b)	5,000,000	5,000,000
Hire purchase liability	3,849,608	3,301,915
Less: Unexpired charges	(274,414)	(180,576)
	9,175,194	8,121,339

- a) The Group has a Floating Rate Loan Facility with a limit of \$1,800,000. The Loan Facility is repayable by 1 July 2024. \$100,000 of principal is payable each calendar month with the remaining facility amount owing payable on the expiry date. The loan facility is reduced by the principal component of each repayment. Interest at the base rate plus 1.30% per annum is charged monthly and a line fee of 0.50% per annum of the Facility Limit is payable quarterly in arrears. The interest rate at the end of the period was 4.365% (June 2022: 1.88%). The facility is reviewed on an annual basis. At 31 December 2022, the Group had \$nil (June 2022: 2,000,000) available in undrawn committed borrowing facilities under the Loan Facility in respect of which all conditions precedent had been met.
- b) The Group has a Loan Facility – Daily Rate with a limit of \$5,000,000. The Loan Facility is repayable on the termination date of 1 October 2024. Interest at the base rate plus 1.65% per annum is charged and paid monthly. The interest rate at the end of the period was 4.72% (June 2022: 2.84%). The facility is fully drawn and is reviewed on an annual basis.
- c) The Group has an Overdraft Facility with a limit of \$3,400,000. Interest at the base rate plus 2.60% per annum is charged monthly. A line fee of 0.50% per annum of the Facility Limit is payable quarterly in arrears. The facility is reviewed on an annual basis. At 31 December 2022, the Group had available \$3,277,030 of undrawn overdraft facilities. In addition, there is an Electronic Payments Facility with a limit of \$300,000. At 31 December 2022, the Group had available \$300,000 under this facility included in net cash on hand.

The bank overdraft and commercial facilities are secured by a registered first mortgage over the assets and undertakings of the Group. The Group complied with all banking covenants during the financial year.



Notes to the Condensed Consolidated Financial Statements for the half-year ended 31 December 2022

Financing facilities available

At balance date, the following financing facilities had been negotiated and were available:

	31 December 2022	30 June 2022
	\$	\$
Total facilities		
• Overdraft Facility	3,400,000	3,400,000
• Loan facility – Daily Rate	5,000,000	5,000,000
• Electronic Payments Facility	300,000	300,000
• Floating rate loan facility	1,800,000	2,400,000
• Commercial Card Facility	50,000	50,000
	10,550,000	11,150,000
Facilities used at balance date		
• Overdraft Facility	122,970	-
• Loan facility – Daily Rate	5,000,000	5,000,000
• Floating rate loan facility	1,800,000	400,000
• Commercial Card Facility	13,682	-
	6,936,652	5,400,000
Facilities unused at balance date		
• Overdraft Facility	3,277,030	3,400,000
• Loan facility – Daily rate	-	-
• Floating rate loan facility	-	2,000,000
• Electronic Payments Facility	300,000	300,000
• Commercial Card Facility	36,318	50,000
	3,613,348	5,750,000
Total facilities		
• Facilities used at balance date	6,936,652	5,400,000
• Facilities unused at balance date	3,613,348	5,750,000
	10,550,000	11,150,000

The carrying value of plant and equipment held under hire purchase contracts at 31 December 2022 is \$5,492,057 (June 2022: \$4,761,734). Additions during the year include \$1,145,883 (June 2022: \$4,123,136) of plant and equipment held under hire purchase contracts.

13. Issued Capital

(a) Issued and paid up capital

	31 December 2022	30 June 2022
	\$	\$
135,719,452 Ordinary shares issued and fully paid	11,509,613	11,509,613

(b) Movements in ordinary shares on issue

	6 months to 31 December 2022		Year to 30 June 2022	
	No.	\$	No.	\$
<i>Movements in ordinary shares on issue</i>				
Opening balance	135,719,452	11,509,613	130,000,000	5,140,616
Issue of shares	-	-	5,719,452	6,368,997
Closing balance	135,719,452	11,509,613	135,719,452	11,509,613



Notes to the Condensed Consolidated Financial Statements for the half-year ended 31 December 2022

14. Reserves

	31 December 2022	30 June 2022
	\$	\$
Share Based Payments Reserve (Note 15)	37,251	24,722
Hedge Reserve	18,389	-
	55,640	24,722

15. Share-based Payment Reserve

This comprises the cumulative share-based payment expense recognised in the Statement of Profit or Loss and Other Comprehensive Income in relation to equity-settled options and share rights issued but not yet exercised.

The fair value of share rights subject to a market condition is determined at grant date using a trinomial valuation model. The values calculated do not take into account the probability of rights being forfeited prior to vesting, as VEEM Ltd revises its estimate of the number of share rights expected to vest at each reporting date.

Grant date	Vesting date	Expiry date	Beneficiary	Balance at 1 July 2022	Granted during period	Exercised during period	Forfeited / lapsed during period	Balance 31 December 2022
6 Jul 2021	6 Jul 2022	6 Aug 2024	D Rich	50,000	-	-	-	50,000
6 Jul 2021	6 Jul 2023	6 Aug 2024	D Rich	50,000	-	-	-	50,000
6 Jul 2021	6 Jul 2024	6 Aug 2024	D Rich	50,000	-	-	-	50,000

The share rights will vest on or after the vesting date upon the 30-day Volume Weighted Share Price of the company being \$1.50, \$2.00, \$2.50 for tranches 1-3 respectively provided the beneficiary is still employed by the Company. All share rights have an accelerated vesting condition on a change of control event at any time up to expiry.

Valuation assumptions	Tranche 1	Tranche 2	Tranche 3
Valuation Date	6-Jul-21	6-Jul-21	6-Jul-21
Spot Price (\$)	\$1.34	\$1.34	\$1.34
Exercise Price (\$)	nil	nil	nil
Expected future volatility (%)	50.14%	50.14%	50.14%
Risk free rate (%)	0.19%	0.19%	0.19%
Dividend yield (%)	1%	1%	1%
Fair value per right	\$0.632	\$0.49	\$0.382

16. Contingent Liabilities & Commitments

	31 December 2022	30 June 2022
	\$	\$
Hire purchase commitments payable		
- within one year	1,342,460	1,112,917
- after one year but not more than five years	3,849,607	3,301,915
Minimum hire purchase payments	5,192,067	4,414,832
Less: Unexpired charges	(459,011)	(306,096)
Present value of net minimum lease payments	4,733,056	4,108,736
Represented by:		
Current	1,157,863	987,397
Non-current	3,575,193	3,121,339
	4,733,056	4,108,736

Capital commitments

At 31 December 2022 the Group had \$3,215,925 of capital commitments (June 2022: \$4,038,050) which it expects to finance through hire purchase arrangements.



Notes to the Condensed Consolidated Financial Statements for the half-year ended 31 December 2022

17. Subsequent Events

On 22 February 2023, the Directors declared an unfranked interim dividend in respect to the 30 June 2023 year of \$542,878 representing 30% of the Net Profit After Tax and 0.4 cents per share.

Other than the above, there are no significant events subsequent to reporting date.

18. Dividends

	6 months to 31 December 2022	6 months to 31 December 2021
	\$	\$
Unfranked dividends paid	<u>285,000</u>	<u>585,000</u>

19. Financial Instruments

The Directors consider that the carrying value of the financial assets and liabilities as recognised in the financial statements approximate their fair values.

There is a derivative liability of \$12,017 (30 June 2022: \$192,682) recorded in relation to these forward exchange contracts recorded at fair value, the fair value is a Level 2 input in the fair value hierarchy.



Directors' Declaration

In the opinion of the Directors of VEEM Ltd ('the Company'):

1. The financial statements and notes thereto, are in accordance with the Corporations Act 2001 including:
 - a. complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
 - b. giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year then ended.
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001.

A handwritten signature in black ink, appearing to read 'B. Miocevich', written in a cursive style.

Brad Miocevich
Chairman
Perth, Western Australia
22 February 2023

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of VEEM Ltd

Report on the Condensed Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of VEEM Ltd ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2022, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, for the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

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

- (a) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's responsibilities for the review of the financial report* section of our report. We are independent of the company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of the directors for the financial report

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

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Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



HLB Mann Judd
Chartered Accountants

Perth, Western Australia
22 February 2023



N G Neill
Partner