VEEM LTD **APPENDIX 4D**
A.C.N. 008 944 009 **HALF YEAR REPORT**

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 2023
Previous Corresponding Period:	31 December 2022

For and on behalf of the Directors

DAVID JAMES RICH
COMPANY SECRETARY

Dated: 21 February 2023

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Revenue and Net Profit (Loss)				**AUD $'000's**
Revenue from ordinary activities	up	37%	to	37,494
Profit/ (Loss) from ordinary activities	up	92%	to	3,497
Net Profit/ (Loss) for the period attributable to members	up	92%	to	3,497

Dividends

On 20 September 2023, the Company paid a final unfranked ordinary dividend in respect to the financial year ended 30 June 2023 of $692,169 representing a payment of $0.0051 per share.

The Directors have declared an unfranked interim dividend in respect to the 30 June 2024 year of $1,045,040 representing approximately 30% of Net Profit After Tax for the half-year to 31 December 2023 and $0.0077 per share with the following relevant details:

Date the dividend is payable	17 April 2024
Record date to determine entitlement to the dividend	6 March 2024
Amount per security	$0.0077
Total dividend	$1,045,040
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 2023.

NET TANGIBLE ASSET BACKING

	31 Dec 2023 $'000's	**31 Dec 2022 $'000's**
Net Assets / (Liabilities)	50,015	45,173
Less intangible assets	(18,124)	(19,318)
Net tangible assets of the Company [1]	31,891	25,855
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	23.50c	19.05c

[1] Net tangible assets include right-of-use-assets of $9,078,975 and lease liabilities of $10,278,724.

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 2023

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CORPORATE DIRECTORY

Directors
Mr Brad Miocevich (Non-Executive Chairman)
Mr Mark Miocevich (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

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Auditors
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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 2023. 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 Miocevich	Non-Executive Chairman
Mark Miocevich	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 2023 was $3,496,980 (31 December 2022: $1,825,539).

Dividends

On 20 September 2023 the Company paid a final unfranked ordinary dividend in respect to the financial year ended 30 June 2023 of $692,169 representing $0.0051 per share (2022: $285,000 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 $37.5m, up 37% on the prior corresponding period (2022: $27.4m). Earnings before interest, tax, depreciation and amortisation (EBITDA) was up 65% to $6.9 million (2022: $4.2m) and net profit after tax was up 92% to $3.5m (2022: $1.8m). Cashflow from operations was $4.4m, up 203% (2022: $1.4m). The Group held cash on hand of $0.65m at 31 December 2023 (30 June 2023: $1.4m) and has an undrawn overdraft facility of $3.4m after a net repayment of borrowings (including hire purchases) of $2.5m.

In addition to revenue of $37.5m, work in progress increased by $2.2m to $15.2m during the period showing an overall activity level of $39.7m. This increase in activity is a result of increased job hours, which were 8% ahead of budget and the increased propeller capacity that came online at the end of April 2023.

VEEM continued the momentum that saw it end FY2023 strongly with robust propellor revenue combined with the acceleration of the previously announced Strategic Marine contract leading to a significant increase in revenue compared to the prior corresponding period.

Strategies put in place over the last 12 to 18 months to preserve margins, including periodic price reviews have continued to bear fruit with margins steadily increasing compared to the corresponding period and overheads well managed resulting in a material improvement in EBITDA and net profit after tax. While the progress made to date is pleasing VEEM has continued to work on optimising its supply chain to achieve the twin objectives of improved margins and reduced risk of supply.

Revenue from gyrostabilisers was $5m for the period, up significantly on the prior corresponding period revenue of $1.7m and equalling FY 2023 revenue of $5m. Orders on hand totalled $9.2m at 31 December 2023. Significantly in November Strategic Marine advised the VG140SD VEEM Gyro would now be fitted as standard on its fourth-generation fast crew boat ('FCB') due to the benefits afforded through improved stabilisation. As a result, the existing agreement for 12 gyrostabilisers was accelerated with 3 delivered during the half year and the remaining 9 to be delivered by 30 June 2024 as opposed to the previous time frame to June 2026.

The agreement with Strategic Marine underscores the value of a gyrostabiliser in a commercial/workboat environment in terms of safety, efficiency, productivity, operability and financially. Commercial operators are now the primary adopters of this technology with all sales during the period, and most orders, being for commercial vessels, including defence.

VEEM has continued to invest in the development of its gyrostabiliser product over the period with a number of modifications improving performance and reducing costs.

Propulsion sales increased 41% to $16.5m for the half-year as the three new machining centres installed in FY23 were available for the whole period. The additional capacity allowed for the reduction in the order backlog and hence lead times to more manageable levels which is a benefit to our customers as we start to move into the northern boating season.

Defence sales overall were up 8% to $8.6m mainly due to sales to ASC of $5.8m for a full cycle docking (Collins Class submarine) as well as a contribution of $2.2m from Austal which was higher than the prior period amount of $1.6m.

VEEM continues to work on the Hunter Class Frigate Program (HCFP) demonstrator program for BAE Systems Australia. The value of the demonstrator contract is $1.7 million, with successful completion of the task by Q2 2024 ensuring VEEM qualifies as a supplier to the HCFP. VEEM is one of only two suppliers globally to be able to produce this level of precision.

Success with this project and the recent high-level defence supplier security qualification is expected to lead to further Australian defence work as well as the potential to export of equipment for other naval shipbuilding programs around the world, including other Type 26 frigate programs.

Engineering products and services revenue, excluding defence and hollow bar, was up $0.7m to $4.3m. VEEM's hollow bar product revenue increased by $0.9m to $3.3m. 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 the new Sharrow project and further development of the current gyrostabiliser range as well as projects related to the engineering and propulsion businesses.

Agreement with Sharrow Engineering

On 2 October 2023 VEEM announced it had executed agreements with Sharrow Engineering, LLC ("Sharrow") for VEEM and Sharrow to partner together to design and then VEEM to exclusively manufacture and sell Sharrow propellers worldwide up to 5 metres in diameter for inboard motor vessels.

The award-winning Sharrow propeller design has made a spectacular impact on the outboard motor market with outstanding improvements in fuel efficiency, noise, vibration and handling.

Under the agreement, VEEM will pay Sharrow a licence fee based on the sales of the SHARROW by VEEM propellers. Progressing with the project is subject to VEEM's acceptance of the performance of the Sharrow design with the testing expected to be completed in the coming weeks.

VEEM's plan is to initially manufacture the SHARROW by VEEM propellers at its plant in Western Australia which has capacity for 450 to 500 propellers a month. Initially these are expected to be taken up by demand from boat manufacturers and commercial operators. If the adoption rates follow the same patterns as the Sharrow outboard motor propellers, then VEEM expects to be building increased capacity in the next few years.

The target market is propellers below 5 metres in diameter used for inboard vessels. The main volumes VEEM is targeting initially are in the 30 – 90 feet (10 – 30m) range where there are premium production yacht manufacturers who the Company anticipates will embrace the significantly better product. Commercial operators are expected to adopt the new SHARROW by VEEM product for the economic benefits of less fuel usage and the drive to reduce their carbon footprint.

The overall market is 100,000 vessels which would be in the order of US$2.6 bn*. The new boat market is 15,000 vessels worth in the order of US$338 million* per annum.

The SHARROW by VEEM propellers is expected to cost more to make in both raw materials and manufacturing time. The selling price will be at a further premium due to the licence fee payable to Sharrow. This is expected to lead to a pricing structure that is at a significant premium to current standard propellers, however the adoption rates for the outboard motor market have shown that customers are prepared to embrace the product at a premium due to the tangible benefits realised.

Outlook

As demonstrated by the result for the half-year, VEEM has a robust core foundry and engineering business, including its own products, which has allowed 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 acceleration of the Strategic Marine contract provides the Board with confidence that continued investments into marketing, and continued product development for large gyrostabiliser will lead to significant revenues and profits in the coming years.

The global demand for propellers is expected to remain strong and VEEM expects to maintain recently elevated levels of sales with margins continuing to be maintained. VEEM also continues to drive improvements to its processes through R&D with the goal of improving margins and reducing exposure to labour constraints. Subject to successful acceptance testing in the coming weeks, the SHARROW by VEEM product is expected to be introduced to customers in the fourth quarter of FY24. Design work won't stop there with further refinements expected to be generated as the different series are rolled out through FY25.

*The independent market assessment was conducted by EQC Consulting. The market assessment excludes: vessels over 10 years old; non-ocean-going commercial vessels; defence vessels; outboards, jets; stern drives; recreational vessels over 90m and under 10m; and commercial vessels without an IMO number. Valuation is calculated using approximately two times current design prices.

VEEM's defence revenue is expected to remain strong with the deliveries under the Collins Class submarine full cycle docking program and other defence work for a number of different prime contractors, including Austal, in the second half of FY24. VEEM expects to deliver the Hunter demonstrator program in FY24 and will pursue other options to supply to overseas T26 programs. Through its delivery history and accreditations, 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 remains strong with the high levels of job hours in 1HFY24 expected to continue. Input and freight costs will continue to be monitored and managed to protect margins.

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SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 21 February 2024, the Directors declared an unfranked interim dividend in respect to the 31 December 2023 half-year of $1,045,040 representing approximately 30% of the Net Profit After Tax and 0.77 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 2023.

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.

Brad Miocevich
Chairman
Perth, Western Australia
21 February 2024

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of VEEM Ltd for the half-year ended 31 December 2023, 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.

David Healy

Perth, Western Australia
21 February 2024

D B Healy
Partner

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the half-year ended 31 December 2023

	Note	31 December 2023 $	31 December 2022 $
Revenue	4	37,494,795	27,356,646
Other income		43,966	236,574
Changes in inventories of finished goods and work in progress		2,902,069	5,538,368
Raw materials and consumables		(15,609,290)	(14,620,222)
Employee benefits expense		(14,517,655)	(11,849,182)
Depreciation and amortisation expense		(2,326,455)	(1,938,817)
Repairs and maintenance expense		(764,868)	(688,137)
Occupancy expense		(672,660)	(645,193)
Borrowing costs expense		(663,645)	(402,353)
Other expenses	5	(1,962,365)	(1,134,744)
Profit before income tax		**3,923,892**	**1,852,940**
Income tax expense		(426,912)	(27,401)
Profit after income tax		**3,496,980**	**1,825,539**
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges – effective portion of changes in fair value		379,767	18,389
Foreign operations – foreign currency translation reserve difference		(3,754)	-
		376,013	18,389
Items that will not be reclassified to profit or loss		-	-
Other comprehensive income for the half-year, net of tax		**376,013**	**18,389**
Total comprehensive income for the half-year		**3,872,993**	**1,843,928**
Earnings per share			
Basic earnings per share (cents)		2.58	1.35
Diluted earnings per share (cents)		2.58	1.35

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 2023

	Note	31 December 2023 $	30 June 2023 $
ASSETS			
Current Assets			
Cash and cash equivalents		646,331	2,421,112
Trade and other receivables		12,665,513	10,112,724
Derivative asset	7	136,483	-
Inventories	6	21,847,324	20,937,448
Other assets	8	2,126,832	1,335,003
Current tax assets		159,955	205,603
Total Current Assets		**37,582,438**	**35,011,890**
Non-Current Assets			
Property, plant and equipment	9	21,331,160	21,340,215
Deferred tax assets		3,606,526	4,268,401
Intangible assets	10	22,154,813	21,021,524
Right-of-use assets		9,078,975	9,861,752
Total Non-Current Assets		**56,171,474**	**56,491,892**
Total Assets		**93,753,912**	**91,503,782**
LIABILITIES			
Current Liabilities			
Trade and other payables	11	8,495,656	6,399,378
Borrowings – current	12	3,066,961	4,632,155
Provisions		4,113,254	3,933,864
Derivative liability	7	-	169,521
Lease liabilities - current		1,690,088	1,650,942
Total Current Liabilities		**17,365,959**	**16,785,860**
Non-Current Liabilities			
Borrowings – non current	12	10,046,461	10,508,404
Deferred tax liabilities		7,636,656	7,906,485
Provisions		100,929	100,929
Lease liabilities – non current		8,588,636	9,380,242
Total Non-Current liabilities		**26,372,682**	**27,896,060**
Total Liabilities		**43,738,641**	**44,681,920**
Net Assets		**50,015,271**	**46,821,862**
EQUITY			
Issued capital	13	11,509,613	11,509,613
Reserves	14	348,841	(39,756)
Retained earnings		38,156,817	35,352,005
Total Equity		**50,015,271**	**46,821,862**

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 2023

	Note	31 December 2023 $	31 December 2022 $
Cash flows from operating activities			
Receipts from customers		35,294,208	28,288,962
Payments to suppliers and employees		(30,371,072)	(26,876,238)
Government subsidies received		28,944	161,200
Other receipts		15,023	-
Interest paid		(663,645)	(402,353)
Interest received		1,260	295
Income tax refund		10,782	102,459
Net GST received		54,748	168,100
Net cash flows provided by operating activities		**4,370,248**	**1,442,425**
Cash flows from investing activities			
Purchase of property, plant and equipment		(639,374)	(1,021,314)
Purchase of intangible assets		(1,410,185)	(1,428,044)
Net cash flows used in investing activities		**(2,049,559)**	**(2,449,358)**
Cash flows from financing activities			
Dividends paid	19	(692,169)	(285,000)
Proceeds from borrowings		1,419,423	2,000,000
Repayments of borrowings		(3,103,431)	(600,000)
Payments of hire purchase liabilities		(890,484)	(588,769)
Payments of lease liabilities		(823,459)	(733,449)
Net cash flows used in financing activities		**(4,090,120)**	**(207,218)**
Net decrease in cash and cash equivalents		(1,769,431)	(1,214,151)
Cash at the beginning of the period, net of overdraft		2,421,112	2,632,302
Effects of exchange rate fluctuations on cash held		(5,350)	12,615
Cash and cash equivalents at the end of the period, net of overdraft		**646,331**	**1,430,766**

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 2023

	Note	Issued Capital $	Reserves $	Retained earnings $	Total $
At 1 July 2023		**11,509,613**	**(39,756)**	**35,352,005**	**46,821,862**
Profit for the half-year		-	-	3,496,980	3,496,980
Other comprehensive income		-	376,013	-	376,013
Total comprehensive income for the half-year		-	376,013	3,496,980	3,872,993
Share-based payment expense		-	12,584	-	12,584
Dividends paid	18	-	-	(692,169)	(692,169)
Balance at 31 December 2023		**11,509,613**	**348,841**	**38,156,817**	**50,015,271**

	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		-	18,389	-	18,389
Total comprehensive income for the half-		-	18,389	1,825,539	1,843,929
Share-based payment expense recognised		-	12,529	-	12,529
Dividends paid	18	-	-	(285,000)	(285,000)
Balance at 31 December 2022		**11,509,613**	**55,640**	**33,608,214**	**45,173,467**

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 2023

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 2023 was authorised for issue on 21 February 2024 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 2023 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 2023 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 2023

In the half-year ended 31 December 2023, 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 2023 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 2023. 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 2023.

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 one customer where the revenue was in excess of 10% of the Group's revenue. This customer generated 16% (December 2022: 2 Customers for 33%) of the Group's revenue for the half-year.

Although the Group is managed as a single business segment, sales revenue of $37,494,795 (December 2022: $27,356,646) 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 $23,451,419 (December 2022: $15,012,077). Defence related sales for Dec 2023 totalled $8,602,202 (December 2022: $8,059,887) with $2,243,931 (December 2022: $1,731,829) of those sales being both within the defence and propulsion/stabilization categories. Sales of engineering products and services (non-defence) for the period were $7,685,105 (December 2022: $6,016,510).

4. Revenue

Revenue from contracts with customers

	6 months to 31 December 2023 $	6 months to 31 December 2022 $
Sales revenue		
• Revenue – point in time	5,312,319	2,132,093
• Revenue – over time	32,182,476	25,224,553
	37,494,795	27,356,646

The geographic distribution of sales for the half year was approximately 50% (2022: 61%) derived from customers within Australia and the remaining 50% (2022: 39%) were derived predominantly from customers in the USA, Sweden, UK, Italy, Turkey, Netherlands and Singapore.

5. Other Expenses

Insurance	(273,775)	(261,913)
Advertising, marketing and travel expense	(420,489)	(265,582)
Other general expenses	(1,268,101)	(607,249)
	(1,962,365)	(1,134,744)

6. Inventories

Work in progress – over time	8,548,451	7,774,193
Work in progress – point in time	6,625,409	5,194,972
	15,173,860	12,969,165
Less: Progress billings	(8,058,200)	(7,704,738)
	7,115,660	5,264,427
Goods for resale, raw materials and stores at cost	14,731,664	15,673,021
	21,847,324	20,937,448

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 2023. 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 2023 there were forward exchange contracts in place for net sale of USD 5,407,461 and EUR 300,000 and net purchase of GBP 500,000 (30 June 2023: Net sale USD 3,732,250, EUR 400,000 and net purchase GBP 230,000).

8. Other Assets

	31 December 2023 $	30 June 2023 $
Prepayments	1,168,466	503,455
Suppliers paid in advance	958,367	831,548
	2,126,832	**1,335,003**

9. Property, Plant and Equipment

	Plant and Equipment	Motor Vehicles	Computer Equipment	Capital Work in Progress	Total
As at 30 June 2023	**$**	**$**	**$**	**$**	**$**
Cost	49,729,406	662,767	1,822,292	397,379	**52,611,844**
Accumulated depreciation	(29,112,105)	(537,995)	(1,621,529)	-	**(31,271,629)**
Closing carrying amount	**20,617,301**	**124,772**	**200,763**	**397,379**	**21,340,215**
Half-year ended 31 December 2023					
Opening carrying amount	20,617,301	124,772	200,763	397,379	21,340,215
Additions	592,110	-	6,820	526,898	1,125,828
Transfers	196,910	-	-	(196,910)	-
Depreciation	(1,085,319)	(10,733)	(38,831)	-	(1,134,883)
Closing carrying amount	**20,321,002**	**114,039**	**168,752**	**727,367**	**21,331,160**
As at 31 December 2023					
Cost	50,518,426	662,767	1,829,112	727,367	53,737,672
Accumulated Depreciation	(30,197,424)	(548,728)	(1,660,360)	-	(32,406,512)
Carrying amount	**20,321,002**	**114,039**	**168,752**	**727,367**	**21,331,160**

10. Intangible Assets

	Other Intellectual Property	Product Development	Total
As at 30 June 2023	**$**	**$**	**$**
Cost	1,109,269	22,982,490	24,091,759
Accumulated amortisation	(873,745)	(2,196,490)	(3,070,235)
Closing carrying amount	**235,524**	**20,786,000**	**21,021,524**
Half-year ended 31 December 2023			
Opening carrying amount	235,524	20,786,000	21,021,524
Additions	93,419	1,377,666	1,471,085
Amortisation	(60,899)	(276,897)	(337,796)
Closing carrying amount	**268,044**	**21,886,769**	**22,154,813**
As at 31 December 2023			
Cost	1,202,688	24,360,156	**25,562,844**
Accumulated amortisation	(934,644)	(2,473,387)	**(3,408,031)**
Carrying amount	**268,044**	**21,886,769**	**22,154,813**

11. Trade and Other Payables

	31 December 2023	30 June 2023
	$	**$**
Trade payables (i)	6,703,959	4,878,254
Net GST payable	-	336,349
Other creditors	1,791,697	1,184,775
	8,495,656	**6,399,378**

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

12. Borrowings

	31 December 2023 $	30 June 2023 $
Current		
Floating rate loan facility (a)	600,000	1,200,000
Trade loan facility (b)	608,134	1,692,141
Hire purchase liability (e)	2,226,304	2,114,353
Less: Unexpired charges (e)	(367,477)	(374,339)
	3,066,961	4,632,155
Non-current		
Loan facility – Daily Rate (c)	5,000,000	5,000,000
Hire purchase liability (e)	5,538,637	6,081,057
Less: Unexpired charges (e)	(492,176)	(572,653)
	10,046,461	**10,508,404**

a) The Group has a Floating Rate Loan Facility with a limit of $600,000. The Loan Facility is repayable by 1 July 2024. $100,000 of principal is payable each calendar month with any 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 5.66% (June 2023: 5.47%). The facility is reviewed on an annual basis.

b) The Group has a trade loan facility to support it's import trade arrangements. The facility has a limit of $2,000,000 and each drawdown is repayable in 150 days. Interest is at the base rate plus 1.25% per annum. A line fee of 0.75% per annum of the Facility Limit is payable quarterly in arrears. At 31 December 2023 the Group had available $1,391,866 of undrawn trade loan facilities.

c) 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 2025. 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 6.01% (June 2023: 5.84%). The facility is fully drawn and is reviewed on an annual basis.

d) 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 2023, the Group had available $3,400,000 of undrawn overdraft facilities. In addition, there is an Electronic Payments Facility with a limit of $300,000. At 31 December 2023, the Group had available $300,000 under this facility.

e) The hire purchase liabilities have a fixed interest rate for each contract and during the period the weighted average interest rate was 5.5% (2022: 2.9%).

The banking 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. The hire purchase liabilities are secured by a registered charge over the asset.

Notes to the Condensed Consolidated Financial Statements for the half-year ended 31 December 2023

12. Borrowings *(continued)*

Financing facilities available

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

	31 December 2023 $	30 June 2023 $
Total facilities		
• Overdraft Facility	3,400,000	3,400,000
• Loan facility – Daily Rate	5,000,000	5,000,000
• Trade loan facility	2,000,000	2,000,000
• Electronic Payments Facility	300,000	300,000
• Floating rate loan facility	600,000	1,200,000
• Commercial Card Facility	50,000	50,000
	11,350,000	**11,950,000**
Facilities used at balance date		
• Overdraft Facility	-	-
• Loan facility – Daily Rate	5,000,000	5,000,000
• Trade loan facility	608,134	1,692,141
• Electronic payments facility	-	-
• Floating rate loan facility	600,000	1,200,000
• Commercial Card Facility	-	-
	6,208,134	**7,892,141**
Facilities unused at balance date		
• Overdraft Facility	3,400,000	3,400,000
• Loan facility – Daily rate	-	-
• Trade loan facility	1,391,866	307,859
• Electronic Payments Facility	300,000	300,000
• Floating rate loan facility	-	-
• Commercial Card Facility	50,000	50,000
	5,141,866	**4,057,859**
Total facilities		
• Facilities used at balance date	6,208,134	7,892,141
• Facilities unused at balance date	5,141,866	4,057,859
	11,350,000	**11,950,000**

The carrying value of plant and equipment held under hire purchase contracts at 31 December 2023 is $8,806,940 (June 2023: $8,531,525). Additions during the half-year include $481,760 (June 2023: $4,467,094) of plant and equipment held under hire purchase contracts.

13. Issued Capital

(a) Issued and paid up capital

	31 December 2023 $	30 June 2023 $
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 2023		Year to 30 June 2023	
	No.	$	No.	$
Movements in ordinary shares on issue				
Opening balance	135,719,452	11,509,613	135,719,452	11,509,613
Issue of shares	-	-	-	-
Closing balance	**135,719,452**	**11,509,613**	**135,719,452**	**11,509,613**

14. Reserves

	31 December 2023 $	30 June 2023 $
Share based payments reserve (Note 15)	81,406	68,822
Cash flow hedge reserve	269,971	(109,796)
Foreign currency translation reserve	(2,536)	1,218
	348,841	**(39,756)**

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.

2021 Performance Rights

Grant date	Vesting date	Expiry date	Holder	1 July 2023	Granted during period	Exercised during period	Forfeited / lapsed during period	31 Dec 2023
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

Notes to the Condensed Consolidated Financial Statements for the half-year ended 31 December 2023

15. Share-based Payment Reserve *(continued)*

2023 Performance rights

Grant date	Vesting date	Expiry date	Holder	1 Jul 2023	Granted during period	Exercised during period	Forfeited / lapsed during period	31 Dec 2023
11 Dec 2023	11 Jan 2027	11 Jan 2027	D Rich	-	108,135	-	-	108,135
11 Dec 2023	11 Jan 2027	11 Jan 2027	D Rich	-	108,135	-	-	108,135
11 Dec 2023	11 Jan 2027	11 Jan 2027	D Rich	-	108,168	-	-	108,168
11 Dec 2023	11 Jan 2027	11 Jan 2027	T Raman	-	102,554	-	-	102,554
11 Dec 2023	11 Jan 2027	11 Jan 2027	T Raman	-	102,554	-	-	102,554
11 Dec 2023	11 Jan 2027	11 Jan 2027	T Raman	-	102,584	-	-	102,584

The share rights will vest as follows:

1. Tranche 1: 12 months after date of issue and the 5-day volume weighted average share price (VWAP) of the Company has reached $1.07. This can occur at any point to expiry.

2. Tranche 2: 24 months after date of issue and the 5-day VWAP of the Company has reached a price which is 25% higher than the higher of (i) the 5-day VWAP up to and including the date that is 12 months from the date of issue; or (ii) $1.07. This can occur at any point to expiry.

3. Tranche 3: 36 months after date of issue and the 5-day VWAP of the Company has reached a price which is 25% higher than the higher of (i) the 5-day VWAP up to and including the date that is 24 months from the date of issue; or (ii) $1.07. This can occur at any point to expiry.

Valuation assumptions	Tranche 1	Tranche 2	Tranche 3
Valuation Date	11- Dec-23	11- Dec-23	11- Dec-23
Spot Price ($)	$0.89	$0.89	$0.89
Exercise Price ($)	nil	nil	nil
Expected future volatility (%)	63.2%	63.2%	63.2%
Risk free rate (%)	3.95%	3.95%	3.95%
Fair value per right	$0.580	$0.519	$0.519

16. Financial instruments

Financial assets and liabilities

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 asset of $136,483 (30 June 2023: liability $169,521) 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.

17. Commitments and contingencies

Capital commitments

At 31 December 2023 the Group had $496,276 of capital commitments (June 2023: $389,648) which it expects to finance through hire purchase arrangements.

Contingencies

There are no material contingent assets or liabilities at 31 December 2023 (June 2023: Nil).

18. Subsequent Events

On 21 February 2024, the Directors declared an unfranked interim dividend in respect to the 30 June 2023 year of $1,045,040 representing 30% of the Net Profit After Tax and 0.77 cents per share.

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

19. Dividends

	6 months to 31 December 2023 $	6 months to 31 December 2022 $
Unfranked dividends paid	**692,169**	**285,000**

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 2023 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.

Brad Miocevich
Chairman
Perth, Western Australia
21 February 2024

HLB MANN JUDD
ADVISORY AND ACCOUNTING

INDEPENDENT AUDITOR'S REVIEW REPORT
To the Members of VEEM Ltd

Report on the Condensed Consolidated Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of VEEM Ltd ("the Company") and its controlled entities ("the Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2023, 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, selected explanatory notes, 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 accompanying 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 2023 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 2023 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

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
21 February 2024

David Healy

D B Healy
Partner