

Verbrec Limited

ABN 90 127 897 689

Interim Financial Report 31 December 2024

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This consolidated interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2024 and any public announcements made by Verbrec Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

These consolidated interim financial statements are the consolidated interim financial statements of the consolidated entity consisting of Verbrec Limited and its subsidiaries. The consolidated interim financial statements are presented in Australian currency.

Verbrec Limited is a company limited by shares, incorporated and domiciled in Australia.

Its registered office is:

Verbrec Limited
Level 14
200 Mary Street
Brisbane QLD 4000

The consolidated interim financial statements were authorised for issue by the Directors on 27 February 2025. The Directors have the power to amend and reissue the consolidated interim financial statements.

Verbrec Limited
ABN 90 127 897 689
Directors' Report

Your Directors present their interim financial statements on Verbrec Limited ("the Company or Verbrec or VBC") and its controlled entities ("the Group") for the half-year ended 31 December 2024.

1. DIRECTORS and COMPANY SECRETARY

The Directors of the Company in office during or since the end of the half-year ended 31 December 2024 are set out below:

Name	Position
Mr Phillip Campbell	Independent Non-Executive Chairperson
Mr Matthew Morgan	Independent Non-Executive Director
Mr Brian O'Sullivan AM	Non-Executive Director

The Company Secretary of the Company in office during or since the end of the half-year ended 31 December 2024 is set out below:

Mr Joel Voss	Company Secretary
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2. PRINCIPAL ACTIVITIES

Verbrec is a leading Engineering services (note 5 - segment reporting) and Training services (note 5 - segment reporting) provider operating across the entire asset life cycle to a diverse range of industries including energy, mining, defence, infrastructure and the growing transition/renewable energy sector. The Group has more than 400 professionals operating across Australia, New Zealand and beyond from offices throughout Australia and New Zealand.

Verbrec is committed to providing end-to-end asset lifecycle services to our key relationship clients as they adapt to the evolving energy transition and sustainable market drivers. Verbrec is well positioned to take advantage of inflows of investment into energy security, new production capacity and sustaining capital projects.

The Group has a strong position across its portfolio of services and has key long-term customers that continue to be supportive and provide Verbrec with strong and recurring revenue streams.

Engineering Services: Verbrec provides a range of engineering and project management services across the following areas:

Asset Management: Specialist asset management services including maintenance and reliability engineering, asset integrity, operational readiness, material and inventory management systems that increases efficiency, reduces costs and improves productivity.

Electrical, Instrumentation and Control Engineering: Specialist engineering and project delivery in low voltage and high voltage electrical systems. This includes electrical distribution and reticulation, grid connections, switchboards and motor control centres, protection systems, as well as specialist expertise and electrical equipment in hazardous areas. Our turn-key services offering includes, controls and automation, data acquisition, industry digitalisation, industrial data analytics and advanced algorithms.

Operations and Maintenance: Specialist pipeline, process plant and compressor station operation and maintenance services to the gas and mining industries. Verbrec has a reputation for the highest standards in safety for our people, contractors and the general public in addition to full compliance

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Directors' Report (continued)

with legislative requirements. This work is managed using a proprietary in-house 'Integrated Management and Operating System'.

Pipeline and Process Plant Engineering: Specialist engineering and project delivery services including conceptual studies, engineering design, EPC delivery, commercial services and condition assessments. We specialise in gas, oil, water and hydro-transport (slurry) pipelines including all associated facilities including compressor stations, pumping stations, terminal facilities, pigging systems, metering systems, SCADA systems and tie-ins. Verbrec has full multi-disciplinary engineering, design and procurement capabilities for all oil and gas and chemical facilities including well-head systems, gathering networks, processing facilities (physical and chemical processing), compression and pumping facilities, tank farms and distribution systems.

StacksOn: StacksOn is a 3D stockpile yard modelling digital twin application that enables the visual tracking of material and grades. It tracks material being added to and reclaimed from stockpiles in order to maintain a 3D model of material in the stockyard. Verbrec offer customers an annual licence fee structure as well implementation services and ongoing support.

Training Services: Under the Competency Training brand our Registered Training Organisation (RTO 31299) provides specialist industrial training services for the Mining, Resources, Infrastructure and Manufacturing sectors. The specialty offers an extensive range of site-specific training as well as customised competency assurance services. These services range from the development of eLearning modules through to implementation of competency management programs with integrated technology components (virtual reality). Competency Training has dedicated, fully equipped training facilities (allowing for 'hands-on' training with equipment) across Australia.

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Directors' Report (continued)

3. REVIEW OF FINANCIAL PERFORMANCE & MARKET OUTLOOK

In compiling these financial statements, the discontinued operations (under AASB 5) have been shown separately from the continuing operations and comparable numbers from previous corresponding period ("PCP") have been presented excluding those discontinued operations.

3.1 Financial Performance Overview

The consolidated interim financial results for the half-year ended 31 December 2024 compared to the previous corresponding period ("PCP") is follows:		31 December 2024	31 December 2023	Change to PCP
Continuing Operations				
Revenue (\$'000)	Note 5	42,814	49,994	(7,180)
Gross Margin Statutory (\$'000)		15,826	17,430	(1,604)
Gross Margin Statutory as a % of revenue (%)		37.0%	34.9%	2.1%
Profit before tax (\$'000)		861	2,703	(1,842)
Profit after tax (\$'000)		861	2,855	(1,994)
Basic earnings per share (cents) – continuing operations		0.3	1.2	-0.9
EBITDA ¹ (\$'000)	Note 5	3,067	4,989	(1,922)
EBITDA as a % of revenue (%)		7.2%	10.0%	(2.8%)
Loss after tax from discontinued operations	Note 8	-	(2,766)	2,766
Total other comprehensive income, net of tax		(68)	92	(160)
Total comprehensive profit attributable owners of the Company		793	181	612
Operating Cash Inflow / (Outflow) (\$'000)		985	(694)	1,679
Net Cash ² (\$'000)		(6,674)	(8,763)	2,089

¹ EBITDA (earnings before interest, taxes, depreciation and amortisation)

² Cash on hand less borrowings and lease liabilities.

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Directors' Report (Continued)

DISCONTINUED OPERATIONS – Site Skills Training

In November 2023 the Company announced that it had entered an agreement with Harness Energy to sell the remaining assets of Site Skills Training, including the novation of leases and transfer staff to Harness Energy. The impact of the discontinued operations is shown on note 8 in the financial statements.

Financial Performance

For the half-year ended 31 December 2024, the Group reported revenues of \$42.8m, a decrease from \$50.0m reported in the previous corresponding period and in line with that of the 2H of FY24 (\$43.3M). Verbrec has stated previously that it intends to grow the business through (i) geography, (ii) expansion of key business units, (iii) key relationship client management and (iv) increasing its proportion of transition/renewable energy projects. Verbrec budgeted for and expects the 2H FY25 to be stronger, with several key projects that have been deferred from this half year due to commence in 2025.

The composition of Verbrec's revenue is broadening into sustainability and transition projects driven by the evolving energy landscape. The largest proportion of the group's revenue is currently derived from the gas market transition (including decarbonisation) sector and infrastructure projects.

Gross margins have increased to 37.0% from 34.9% in the PCP, partly as a result of the reduced procurement revenue and management's efforts to target economically attractive project opportunities. EBITDA is at \$3.1M (7.2% of revenue) and the company expects this to increase in the 2H of the financial year.

The Group's finance facilities are provided by Westpac Banking Corporation. Verbrec remains compliant with all banking covenants to 31 December 2024.

Overall, the liabilities of the Group have reduced predominantly with the reduction in trade and other payables and lease liabilities over the 6 months.

The total Assets of the Group have also reduced with a reduction in both trade receivables and right of use assets.

Closing cash and cash equivalents for the half-year was \$4.5m and on par with the \$4.6m at 30 June 2024. The \$4.5m balance includes \$2.1m in restricted cash that is required to be held under the Westpac facility as part security for the issuance of bank guarantees. The Group also retains its ability to generate additional cash by accessing available debt under the Westpac facilities.

3.2 Market Outlook

The markets in which Verbrec operates are adapting to the evolving energy landscape as Australia and the Pacific seek to secure sufficient reliable energy supply whilst transitioning from traditional to renewable energy infrastructure.

Client feedback from 1H FY25 suggests that inflationary pressures, uncertainty prior to election results (both international and domestic) and a shortage of qualified engineering resources caused deferrals of several notable prospective project opportunities that were expected to commence in 1H FY25 (now expected to reach award decision 1H FY26).

Despite the deferrals noted above, Verbrec's work in hand and high quality opportunity pipeline remain robust in the longer term as the Company continues to support our core and key client base.

Commodity prices are reasonably stable which in turn provides free cash flow for our clients to invest in new production capacity, and sustainable capital projects, as well as projects to improve safety and operating efficiency, with improved energy efficiency a recurring theme.

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Directors' Report (Continued)

This trading environment will support ongoing demand for Verbrec's services. The significant capital investment in sustainability in our key traditional markets particularly energy, resources and digital transformations is very encouraging. New projects driven by investment in alternative energy are providing exciting new opportunities.

Addressing the evolving energy landscape, the Company's focus is expanding to ensure that we can meet client needs in a move to a more sustainable future. Leveraging the Company's diverse pool of talented engineers, and by selectively recruiting where necessary to improve the group's consolidated skillset, Verbrec is in a position to participate in:

- **Electrification & Energy Storage** by addressing the need for gas firming in a renewables rich grid, assisting our clients transition to an electrical economy with projects currently being delivered in batteries (BESS projects) and Pumped Hydro.
- **Gas Market Transition** to guide and deliver solutions to our client base to design fit for purpose solutions for their existing assets to address gas as a peaking fuel rather than a base load fuel, with current prospects to participate in projects related to carbon capture utilisation and storage and biofuel / hydrogen augmentation / replacement.
- **Sustainable Mining** assisting and advising our clients in minimising their scope 3 emissions, maximising the yield of their higher grade and 'green' metals such as magnetite and minimising waste by using the power of StacksOn to give clients greater grade control at iron ore mines / ports and developing innovative product transport solutions.

Positioning for growth of Verbrec's business offerings:

The Company is focused on areas of growth including:

- **Engineering:** Providing innovative engineering and project delivery solutions to clients, through our technical specialties, including automation & control, power, process plant and pipelines.
- **Competency Training:** Focus can now be applied to the remaining parts of CT following the sale of the Site Skills Training assets. The shift to sustainable and renewable energy, underpinned by demand for resources supporting this transition provides excellent opportunities for Competency Training which specialises in hazardous areas, high voltage, safety and access and other emerging courses. Our training business is working with industry to upskill current and new employees including those of Verbrec's core client base.
- **Asset Management:** Working with owners and operators across Australia, New Zealand and PNG to provide asset management solutions that increase efficiencies, reduce cost and improve productivity, unlocking higher value from client's assets. The diversified client base has contributed to half yearly revenues increasing year-on-year.
- **Infrastructure Services:** Providing clients full lifecycle services for project delivery from inception through procurement and/or construction, commissioning and operations. On the back of continued growth in the Resources and Oil and Gas developments in Australia, the Infrastructure Services business continues to grow and provides services in the NT, QLD, VIC, SA and WA. This growth is largely linked to long term contracts with recurring revenues.
- **StacksOn:** A digital twin for stockyards enabling on-specification product in challenging conditions, whilst increasing throughput and reducing downtime continues to be enhanced in order to provide

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Directors' Report (Continued)

even more benefits to its client base. New opportunities are being pursued by the team and early interest from new clients established.

Our work in hand number continues to remain healthy and the group continues to focus on repeatable and recurring revenue agreements which are under-pinned by:

- 43 Master Service Agreements
- 14 Operations and Maintenance Agreements
- Rate increases and rise and fall mechanisms to mitigate cost escalation pressures

Verbrec continues to pursue opportunities to increase capability, pursue partnerships and alliances in the areas of electrification, gas market transition and green commodities. Finally, the restoration of a dividend remains a fundamental objective of the Group. With carried forward tax losses of \$35.4m (note 7), we expect operating cashflows to continue to improve resulting in the generation of free cashflow to fund dividends. The group also carries \$5.7m in franking credits which will be distributed once dividends resume.

DIVIDENDS

The Board has elected not to declare an interim dividend for the period ended 31 December 2024.

AFTER BALANCE DATE EVENTS

The Directors are not aware of any other matters or circumstances not otherwise dealt with in this report or the interim financial statements that have, or may, significantly affect the operations or state of affairs of the Group in future years.

ROUNDING OF AMOUNTS

The Group is of the kind referred to in Australian Securities and Investments Commission (ASIC) Corporations Instruments 2016/191 dated 24 March 2016 pursuant to s.341(1) of the Corporations Act 2001, relating to the 'rounding off' of amounts in the Directors' Report and Consolidated Interim Financial Statements. In accordance with that legislative instrument, amounts in the Consolidated Interim Financial Statements have been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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Directors' Report (Continued)

RESOLUTION APPROVING DIRECTORS' REPORT

This Directors' Report is made in accordance with a resolution of the Directors.

The auditor's independence declaration as required under s.307C of the *Corporations Act 2001* is set out on page 9.

A handwritten signature in blue ink, appearing to read 'Phillip Campbell', with a horizontal line underneath.

Phillip Campbell
Chairperson

Brisbane
27 February 2025

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Auditor's Independence Declaration

To the Directors of Verbrec Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Verbrec Limited for the half year ended 31 December 2024, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



Grant Thornton Audit Pty Ltd
Chartered Accountants



CDJ Smith
Partner – Audit & Assurance
Brisbane, 27 February 2025

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Verbrec Limited
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**Condensed consolidated statement of profit
or loss and other comprehensive income**
For the half-year ended 31 December 2024

		31 December 2024	31 December 2023
	Notes	\$'000	\$'000
Continuing Operations			
Revenue	5	42,814	49,994
Cost of providing services	6(a)	(26,988)	(32,564)
Gross profit		15,826	17,430
Other income		63	32
Other operating expenses	6(b)	(14,630)	(14,180)
Profit from operating activities		1,259	3,282
Finance expense		(398)	(579)
Profit before income tax		861	2,703
Income tax benefit/ (expense)	7	-	152
Profit for the half-year from continuing operations		861	2,855
Loss from discontinued operations	8	-	(2,766)
Profit for the half year attributable to owners of the Company		861	89
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Foreign currency translation differences		(68)	92
Other comprehensive income for half-year, net of tax		(68)	92
Total comprehensive profit for the half-year attributable to owners of the Company		793	181
Total comprehensive profit/ (loss) for the half-year attributable to owners of the Company arises from:			
Continuing Operations		793	2,947
Discontinued Operations		-	(2,766)
		793	181
Earnings per share from Continuing Operations			
Basic earnings per share (cents per share)		0.3	1.2
Diluted earnings per share (cents per share)		0.3	1.2
Earnings per share for profit attributable to the ordinary equity holders of the company			
Basic earnings per share (cents per share)		0.3	0.0
Diluted earnings per share (cents per share)		0.3	0.0

Verbrec Limited
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**Condensed consolidated statement
of financial position**
As at 31 December 2024

		31 December 2024 \$'000	30 June 2024 \$'000
	Notes		
Assets			
Cash and cash equivalents		4,548	4,618
Trade and other receivables		11,809	13,666
Prepayments		2,610	1,638
Contract assets		3,266	3,041
Current tax assets		30	18
Total current assets		22,263	22,981
Property, plant and equipment	9	1,001	1,069
Right-of-Use Assets		4,381	5,167
Deferred tax assets		8,203	8,210
Intangible assets	10	10,062	10,267
Total non-current assets		23,647	24,713
Total assets		45,910	47,694
Liabilities			
Trade and other payables		6,475	7,683
Contract liabilities		2,390	2,552
Borrowings	12	2,092	2,334
Lease liabilities		2,429	2,444
Employee benefits		3,710	3,990
Provisions	11	631	977
Total current liabilities		17,727	19,980
Employee benefits		600	483
Borrowings	12	3,968	4,302
Lease liabilities		2,733	3,558
Provisions	11	256	206
Total non-current liabilities		7,557	8,549
Total liabilities		25,284	28,529
Net assets		20,626	19,165
Equity			
Share capital	13	27,990	27,990
Reserves		1,319	719
Retained earnings		(8,683)	(9,544)
Total equity attributable to owners of the Company		20,626	19,165

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**Condensed consolidated statement
of changes in equity**
For the half-year ended 31 December 2024

	Attributable to owners of Verbrec			
	Share Capital	Reserves	Retained earnings	Total
	\$'000	\$'000	\$'000	\$'000
Balance at 30 June 2023	24,267	266	(11,492)	13,041
Profit for the half-year	-	-	89	89
Other comprehensive income	-	92	-	92
Total comprehensive income for the half-year	-	92	89	181
Contribution of equity, net of transaction costs	3,754	-	-	3,754
Share based payment expense	-	85	-	85
Balance at 31 December 2023	28,021	443	(11,403)	17,061
Balance at 30 June 2024	27,990	719	(9,544)	19,165
Profit for the half-year	-	-	861	861
Other comprehensive income	-	(68)	-	(68)
Total comprehensive income for the half-year	-	(68)	861	793
Contribution of equity, net of transaction costs	-	-	-	-
Share based payment expense	-	668	-	668
Balance at 31 December 2024	27,990	1,319	(8,683)	20,626

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**Condensed consolidated statement of
cash flows**
For the half-year ended 31 December 2024

	31 December 2024 \$'000	31 December 2023 \$'000
Notes		
Cash flows from operating activities		
Receipts from customers (including GST)	47,238	60,320
Payments to suppliers and employees (including GST)	(45,870)	(60,695)
	1,368	(375)
Interest received	36	48
Interest paid	(407)	(367)
Income tax paid	(12)	-
Net cash inflow / (outflow) from operating activities	985	(694)
Cash flow from investing activities		
Proceeds from sale of property, plant and equipment	-	16
Payments related to sale of SST business	-	(303)
Payment for acquisition of subsidiary, net of cash acquired	-	(626)
Acquisition of property, plant and equipment and intangibles	(305)	(210)
Net cash outflow from investing activities	(305)	(1,123)
Cash flow from financing activities		
Share issue cost	-	(199)
Proceeds from issue of shares	-	3,953
Proceeds from borrowings	2,017	2,895
Repayment of borrowings	(1,407)	(1,919)
Principal elements of lease payments	(1,290)	(1,551)
Net cash inflow / (outflow) from financing activities	(680)	3,179
Net increase / (decrease) in cash and cash equivalents	-	1,362
Cash and cash equivalents at the beginning of the year	4,618	4,461
Effects of exchange rate changes on cash and cash equivalents	(70)	84
Cash and cash equivalents at the end of the half-year	4,548	5,907

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Notes to the Financial Statements
For the half-year ended 31 December 2024

1 General information

Verbrec Limited (the “Company” or “Verbrec”) is a company domiciled in Australia. The address of the Company’s registered office is Level 14, 200 Mary Street, Brisbane, Australia. The consolidated interim financial statements of the Company for the six months ended 31 December 2024 comprises the Company and its subsidiaries (together referred to as “the Group” and individually as “Group entities”) and the Group’s interest in associates and jointly controlled entities.

The Group is primarily involved with the resources, energy and infrastructure sectors providing Engineering and Training services primarily in Australia, New Zealand, Papua New Guinea and the Pacific Islands.

The consolidated interim financial statements were approved by the Board of Directors on 27 February 2025.

2 Basis of preparation

The consolidated interim financial statements for the half-year reporting period ended 31 December 2024 have been prepared in accordance with the requirements of the Australian Corporations Act 2001 and in compliance with AASB 134 – Interim Financial Reporting, that ensures compliance with International Financial Reporting Standard IAS 34 – Interim Financial Reporting.

The consolidated interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2024 and any public announcements made by Verbrec Limited during the interim reporting period in accordance with the continuous disclosure requirement of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

3 Estimates

The preparation of consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing the consolidated interim financial statements, the significant judgements were made by the management in applying the Group’s accounting policies, and the key sources of estimation uncertainty for continuing operations were the same as those applied to the consolidated financial statements for the year ended 30 June 2024.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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Notes to the Financial Statements
For the half-year ended 31 December 2024

4 Material accounting policy information

The accounting policies are consistent with those of the previous financial year and corresponding interim reporting period.

(a) *Basis of measurement and presentation currency*

The consolidated interim financial statements have been prepared on the historical cost basis and are presented in Australian dollars, which is the Group's functional currency.

(b) Discontinued operations

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as loss after tax from discontinued operations in the statement of profit or loss. Additional disclosures are provided in Note 8. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

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Notes to the Financial Statements
For the half-year ended 31 December 2024

5 Segment and revenue information

The Group has two reportable segments in which it operates, being Engineering and Training. This is based on information that is internally provided to the executive group for assessing performance and making operating decisions.

The Group is domiciled in Australia, with operations and projects predominantly across Australia, New Zealand, Papua New Guinea and the Pacific Islands. Revenue is attributed to the reportable segments based on the revenue owned by the subsidiaries domiciled in each region.

Segment information provided to the Board of Directors and other executives within the business.

The below table shows the segment information arisen from the continuing operations of the business as provided to the Board of Directors for the reportable segments for the half-year period and also the basis on which revenue is recognised.

	Australia	New Zealand	Papua New Guinea	Total
31 December 2024	\$'000	\$'000	\$'000	\$'000
Services revenue				
- Engineering services	35,579	3,326	-	38,905
- Training services	3,860	49	-	3,909
Total revenue from external parties	39,439	3,375	-	42,814
Timing of revenue recognition				
At a point in time	644	-	-	644
Over time	38,795	3,375	-	42,170
	39,439	3,375	-	42,814

	Australia	New Zealand	Papua New Guinea	Total
31 December 2023	\$'000	\$'000	\$'000	\$'000
Services revenue				
- Engineering services	41,515	4,830	41	46,386
- Training services	3,580	28	-	3,608
Total revenue from external parties	45,095	4,858	41	49,994
Timing of revenue recognition				
At a point in time	531	-	-	531
Over time	44,564	4,858	41	49,463
	45,095	4,858	41	49,994

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Notes to the Financial Statements
For the half-year ended 31 December 2024

5 Segment and revenue information (continued)

A reconciliation of earnings before interest, tax, depreciation and amortisation (EBITDA) to operating profit before income tax is provided as follows:

	31 December 2024 \$'000	31 December 2023 \$'000
EBITDA	\$'000	\$'000
Engineering services	2,417	4,607
Training services	650	382
	3,067	4,989
 EBITDA	 3,067	 4,989
Finance costs	(398)	(579)
Depreciation and amortisation	(1,808)	(1,707)
Profit before income tax from continuing operations	861	2,703

6 Profit and loss information

a) Cost of Sales

	31 December 2024 \$'000	31 December 2023 \$'000
Personnel expenses	18,503	20,961
Contractor expenses	3,005	3,806
Project expenses (including procurement)	5,480	7,797
	26,988	32,564

b) Other operating expenses

	31 December 2024 \$'000	31 December 2023 \$'000
Salaries and wages	7,509	6,875
Share-based payments	668	85
Other employment related expenses	259	414
General outgoings	632	577
Subscriptions, licenses and memberships	1,158	1,099
Consulting*	687	1,871
Depreciation and amortisation	1,808	1,707
Insurance	834	848
Other administrative expenses	1,075	704
	14,630	14,180

**The reduction in consulting costs for the current period compared to prior period mainly represents the one-off legal and consultancy fees incurred in prior period.*

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Notes to the Financial Statements
For the half-year ended 31 December 2024

7 Income tax expenses

The difference between the actual income tax expense and the income tax expense using the Company's domestic rate of 30% is mainly attributable to current tax losses not recognised.

	31 December 2024 \$'000	31 December 2023 \$'000
<i>Numerical reconciliation between tax expense and pre-tax accounting profit</i>		
(Loss)/profit before income tax	861	2,703
Income tax using the Company's domestic tax rate of 30% (2023 - 30%)	258	811
Withholding taxes paid	-	
Non-deductible expenses	222	40
Non-assessable income	-	(108)
Amounts coded to equity	-	(58)
Current year deferred tax movements not recognised	-	(830)
Movement in relation to the recognition of DTA on historical losses (previously unrecognised)	(545)	-
Other current year movements	65	35
Income tax expense attributable to current half-year	<hr/> -	<hr/> (110)
Adjustments for current tax of prior periods	-	-
Adjustments for deferred tax of prior periods	-	(42)
Income tax expense attributable to prior periods	<hr/> -	<hr/> (42)
Total income tax expense/ (benefit)	<hr/> <hr/> -	<hr/> <hr/> (152)

Verbrec Limited
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8 Discontinued operations

In November 2023 the Group announced that it had entered an agreement with Harness Energy to sell the remaining assets, novate all leases and transfer staff of its SST Business to Harness Energy. The impact of the discontinued operations and sale of the Site Skills assets is shown below in the statement of profit or loss.

Discontinued operations	Notes	31 December 2024 \$'000	31 December 2023 \$'000
Revenue		-	1,867
Loss on disposal of assets associated with discontinued operation		-	(2,151)
Other operating expenses		-	(2,482)
Loss before income tax		-	(2,766)
Income tax (expense) / benefit		-	-
Loss from discontinued operations		-	(2,766)
Net cash inflow from operating activities		-	1
Net cash outflow from investing activities		-	(929)
Net cash outflow from financing activities		-	(229)
Net decrease in cash generated by discontinued operations		-	(1,157)
Earnings per share		Cents	Cents
Basic earnings per share from discontinued operations		-	(1.2)
Diluted earnings per share from discontinued operations		-	(1.2)
Details of sale of sites			
Consideration paid		-	(303)
Total disposal consideration		-	(303)
Net loss from write-off of fixed assets		-	(31)
Income tax expense on gain		-	-
Loss of sale after income tax		-	(334)

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9 Property, plant and equipment

	Plant and equipment \$'000	Motor vehicles \$'000	Total \$'000
As at 30 June 2024			
Cost	16,241	1,742	17,983
Accumulated depreciation	(15,327)	(1,587)	(16,914)
Net book amount	914	155	1,069
Half-year Ended 31 December 2024			
Opening net book amount	914	155	1,069
Additions	129	22	151
Depreciation charge	(191)	(28)	(219)
Closing net book amount	852	149	1,001
At 31 December 2024			
Cost	16,370	1,764	18,134
Accumulated depreciation	(15,518)	(1,615)	(17,133)
Net book amount	852	149	1,001

10 Intangible assets

	Goodwill \$'000	Application Software \$'000	Development Costs \$'000	Brand Names \$'000	Customer Contracts \$'000	Total \$'000
As at 30 June 2024						
Cost	7,958	1,015	818	26	4,875	14,692
Accumulated amortisation	-	(1,012)	(177)	(1)	(3,235)	(4,425)
Net book amount	7,958	3	641	25	1,640	10,267
Half-year Ended 31 December 2024						
Opening net book amount	7,958	3	641	25	1,640	10,267
Additions	-	82	61	5	-	148
Amortisation charge	-	(12)	(100)	(2)	(239)	(353)
Closing net book amount	7,958	73	602	28	1,401	10,062
As at 31 December 2024						
Cost	7,958	1,097	879	31	4,875	14,840
Accumulated amortisation	-	(1,024)	(277)	(3)	(3,474)	(4,778)
Net book amount	7,958	73	602	28	1,401	10,062

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11 Provisions

	31 December 2024			30 June 2024		
	Current	Non-current	Total	Current	Non-current	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Bonus provision	150	-	150	507	-	507
Make good provision	298	256	554	293	206	499
Service warranties	183	-	183	177	-	177
Total	631	256	887	977	206	1,183

The movement in provisions for the period is shown below:

	Bonus provision \$'000	Make good provision \$'000	Service warranties \$'000	Total \$'000
Carrying amount at 1 July 2024	507	499	177	1,183
<i>Charged/(credited) to profit or loss:</i>				
addition provisions recognised	270	55	146	471
unused amounts reversed	(303)	-	(140)	(443)
Amounts used during the half-year	(324)	-	-	(324)
Carrying amount at 31 December 2024	150	554	183	887

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12 Borrowings

	31 December 2024			30 June 2024		
	Current	Non-current	Total	Current	Non-current	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Secured						
Bank loans	415	3,825	4,240	401	4,033	4,434
Equipment loans	754	143	897	459	269	728
Invoice financing facility	-	-	-	1,186	-	1,186
	1,169	3,968	5,137	2,046	4,302	6,348
Unsecured						
Insurance premium financing	923	-	923	288	-	288
Total borrowings	2,092	3,968	6,060	2,334	4,302	6,636

The movement in borrowings for the period is shown below:

	Bank loans	Equipment finance loan	Insurance premium funding	Invoice financing facility	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July 2024	4,434	728	288	1,186	6,636
Additional borrowings	-	782	1,235	-	2,017
Repayments during the half-year	(194)	(613)	(600)	(1,186)	(2,593)
Carrying amount at 31 December 2024	4,240	897	923	-	6,060

Westpac provide the Group with our financial facilities and as part of those facilities Verbrec has covenants that are tested periodically for compliance. Covenants include Financial Debt to Adjusted EBITDA ratio to be less than 3.50 times and an Adjusted Equity to Assets Ratio greater than or equal to 40%. Financial debt is financial liabilities excluding IFRS 16 Lease Liabilities specific to property leases. Adjusted EBITDA is earnings before interest, tax, depreciation and amortisation, minus lease payments which are no longer accounted for as a lease expense due to IFRS 16 application. Adjusted equity ratio means the percentage calculated by dividing the sum of total shareholder funds plus/minus net intercompany loans, by total assets excluding IFRS 16 Right to Use Assets specific to property leases.

The Group had also satisfied both covenants under its finance agreement as of 30 June 2024. As of 31 December 2024, the Group has passed each of the covenants as follows.

Covenant	Measurement	Results as at	
		31 December 2024	30 June 2024
Financial Debt to Adjusted EBITA	Less than 3.5 times	0.80 times	1.83 times
Adjusted Equity to Assets Ratio	Greater than or equal 40%	49.7%	45.1%

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For the half-year ended 31 December 2024

13 Share capital

	Shares '000	Issue price	\$'000
Balance 30 June 2023	221,476		24,267
Opening balance 1 July 2024	288,678		27,990
Exercise of Performance Rights	1,637	-	-
Balance 31 December 2024	290,315		27,990

14 Impairment

Financial assets

The Group has two types of financial assets, trade receivables and contract assets, that are subject to impairment assessment using the expected credit loss model.

Non-financial assets

Testing for impairment

The Group tests non-financial assets for impairment:

- At least annually for intangible assets with indefinite life and goodwill; and
- Where there is an indication that the asset may be impaired (which is assessed at least each reporting period); or
- Where there is an indication that previously recognised impairment (on assets other than goodwill) may have changed.

If any such indication exists then the asset's recoverable amount is estimated, being the greater of its value in use and its fair value less costs to sell.

At 31 December 2024 there were no indicators of impairment so no impairment tests were conducted.

15 Subsequent events

There are no material events subsequent to reporting date that management is aware of that require disclosure.

Verbrec Limited

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Directors' declaration

In the opinion of the Directors of the Company:

- the consolidated interim financial statements and notes set out on pages 14 to 23 comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the consolidated interim financial statements and notes set out on pages 14 to 23 give a true and fair view of the Group's financial position as at 31 December 2024 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors made pursuant to section 303(5)(a) of the *Corporations Act 2001*.

On behalf of the directors



Phillip Campbell

Chairperson

Brisbane

27 February 2025

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Independent Auditor's Review Report

To the Members of Verbrec Limited

Report on the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of Verbrec Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a summary of significant accounting policies, other selected explanatory notes, and the Directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half year financial report of Verbrec Limited 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 2024 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 Group 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.

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Directors' responsibility for the half year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2024 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.



Grant Thornton Audit Pty Ltd
Chartered Accountants



CDJ Smith
Partner – Audit & Assurance

Brisbane, 27 February 2025