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 2016
Previous Corresponding Period:	31 December 2015

For and on behalf of the Directors

PETER TORRE
COMPANY SECRETARY

Dated: 23 February 2017

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Revenue and Net Profit (Loss)				**AUD $'000's**
Revenue from ordinary activities	up	24.5%	to	21,009
Profit/ (Loss) from ordinary activities	down	34.14%	to	1,230
Net Profit/ (Loss) for the period attributable to members	down	34.14%	to	1,230

Dividends

An interim dividend of $4,000,000 was paid prior to the Company completing its initial public offering of shares. No further dividends have been paid or declared during the interim period and the Directors do not recommend the payment of a further dividend in respect of the interim period.

COMMENTARY

The Company is pleased to report that normalised Profit Before Tax (PBT) (defined as Profit before tax less one off IPO Costs and share registry expenses) for the half year ended 31 December 2016 was $2.87 million, compared to Prospectus Forecast PBT of $2.93 million (assuming a 50/50 split of Prospectus Forecast for the full year to 30 June 2017) and PBT for the prior corresponding period of $2.15 million.

Normalised Profit After Tax (PAT) (defined as PAT adding back one off IPO expenses and related tax effect) for the period was $2.69 million compared to Prospectus Forecast of $2.40 million and the prior corresponding period of $1.8 million.

The Company recorded a Statutory Net Profit After Tax (NPAT), after taking into account $1.5 million in one off IPO costs, of $1,230,425 for the half-year ended 31 December 2016, compared with a NPAT for the prior corresponding period of $1,868,362, and Prospectus Forecast of $1,435,000 (assuming a 50/50 split of the full year 30 June 2017 NPAT as disclosed in the Prospectus, less the IPO costs disclosed in the prospectus of $1.14 million and six-month tax effect of $0.175). The difference to Prospectus Forecast was attributable to higher than expected IPO costs of approximately $360K.

The Company achieved a Gross Profit for the half year of $10.42 million, which was in line with Prospectus forecast of $10.3 million, with margins increasing from 44.5% to 50.2%.

The First Half 2017 (H1FY17) revenue was $21,009,066 compared to $16,867,406 in the previous corresponding period and $23,380,000 in the Prospectus Forecasts (assuming a 50/50 split of the yearly revenue as disclosed in the Prospectus). The difference is partially attributable to an increase in work in progress and stock of approximately $775,000 related to contracts not completed within the reporting period.

Net Assets increased by $1,970,404 to $26,187,466 as at 31 December 2016. Net operating cashflows for the six months to 31 December 2016 was ($90,987) (2015: $3,496,896) primarily due to a building up of Gyro Inventory.

The directors report accompanying this preliminary final report contains a further review of operations and commentary on the results for the period ended 31 December 2016.

NET TANGIBLE ASSET BACKING

	31 Dec 2016 $'000's	31 Dec 2015 $'000's
Net Assets / (Liabilities)	26,187,466	24,570,572
Less intangible assets	(7,454,839)	(7,859,463)
Net tangible assets of the Company	18,732,627	16,711,089
Fully paid ordinary shares on issue at Balance Date	130,000,000	130,000,000(i)
Net tangible asset backing per issued ordinary share as at Balance Date	14.41c	12.85c

(i) Adjusted for a post reconstruction basis

AUDIT DETAILS

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

VEEM

ABN 51 008 944 009

Financial Report for the Half-year Ended 31 December 2016

Contents

Page

CORPORATE DIRECTORY

Directors
Mr Brad Miocevich (Non-Executive Chairman)
Mr Mark Miocevich (Managing Director)
Mr Ian Barsden (Non-Executive Director)

Joint Company Secretaries
Mr Peter Torre
Mrs Tracy Caudwell

Registered Office
22 Baile Rd
Canning Vale WA 6155
Telephone: +61 8 9455 9355
Facsimile: +61 8 9455 9333

Website
www.veem.com.au

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
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, Western Australia)

ASX Code
VEE

DIRECTORS' REPORT

The Directors of Veem Ltd submit the financial report of VEEM Ltd ("the Company") for the half-year ended 31 December 2016. 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 (appointed 1 July 2016)

RESULTS OF OPERATIONS

The profit after tax for the half-year ended 31 December 2016 was $1,230,425 (31 December 2015: $1,868,362).

Dividends

On 23 August 2016, prior to the Initial Public Offering of shares, the Company paid an interim dividend of $4,000,000.

PRINCIPAL ACTIVITIES

The principal activities of the Company during the course of the half-year were;

- Propulsion and stabilisation systems; and
- Manufacturing bespoke products and services for the marine, defence and mining industries

REVIEW OF OPERATIONS

Financial Results

The Company is pleased to report that normalised Profit Before Tax (PBT) (defined as Profit before tax less one off IPO Costs and share registry expenses) for the half year ended 31 December 2016 was $2.87 million, compared to Prospectus Forecast PBT of $2.93 million (assuming a 50/50 split of Prospectus Forecast for the full year to 30 June 2017) and PBT for the prior corresponding period of $2.15 million.

Normalised Profit After Tax (PAT) (defined as PAT adding back one off IPO expenses and related tax effect) for the period was $2.69 million compared to Prospectus Forecast of $2.40 million and the prior corresponding period of $1.8 million.

The Company recorded a Statutory Net Profit After Tax (NPAT), after taking into account $1.5 million in one off IPO costs, of $1,230,425 for the half-year ended 31 December 2016, compared with a NPAT for the prior corresponding period of $1,868,362, and Prospectus Forecast of $1,435,000 (assuming a 50/50 split of the full year 30 June 2017 NPAT as disclosed in the Prospectus, less the IPO costs disclosed in the prospectus of $1.14 million and six-month tax effect of $0.175). The difference to Prospectus Forecast was attributable to higher than expected IPO costs of approximately $360K.

The Company achieved a Gross Profit for the half year of $10.42 million, which was in line with Prospectus forecast of $10.3 million, with margins increasing from 44.5% to 50.2%.

The First Half 2017 (H1FY17) revenue was $21,009,066 compared to $16,867,406 in the previous corresponding period and $23,380,000 in the Prospectus Forecasts (assuming a 50/50 split of the yearly revenue as disclosed in the Prospectus). The difference is partially attributable to an increase in work in progress and stock of approximately $775,000 related to contracts not completed within the reporting period.

Net Assets increased by $1,970,404 to $26,187,466 as at 31 December 2016. Net operating cashflows for the six months to 31 December 2016 was ($90,987) (2015: $3,496,896) primarily due to a building up of Gyro Inventory.

Operational Review

A significant amount of executive managment time in H1FY17 was focused on the Initial Public Offering of VEEM Ltd and listing on the Australian Securities Exchange (ASX). Despite this, the operational performance of the Company was solid with good contributions across the Company's traditional product lines and growing interest in the Company's Gyro product.

Operational activities included initiating the full production phase of two new products, namely the VEEM Gyro 120 (VG120) and the range of Conquest propellers as well as developing the path-to-market with recruitment of key staff and establishing a stockist network.

Full gyro production commenced in the period with the VG120 model being concentrated on initially taking priority. This product is expected to be completed for evaluation by the end of the third quarter of FY17. The first commissioning of a VG120 occurred in Sydney on the Super Yacht 'MY Tango' towards the end of the period (refer ASX announcement of 6 December 2016) and immediately went into regular use by the owner.

The Conquest range of replacement propellers was in full production with the first shipments arriving at stockists in the United States during the first quarter of FY17. The Fort Lauderdale boat show in October 16 at which VEEM displayed its products was used as the launch for Conquest propellers in the US with many of the dealers and stockists in attendance. A network of dealers is being developed around the western world under the guidance of our new European Business Development Manager based out of London.

The Company's base-line work in casting and precision machining remained strong and was carried out efficiently, resulting in Gross Profit margins exceeding expectations (as disclosed above). The Company also experienced a good level of tenders for the second half of the year.

Marketing activities during the period also included the recruitment of staff to exclusively focus on international gyro sales and a UK based product manager for propeller products. Both gyro and propulsion products were displayed at major trade shows in the USA and Europe with strong interest leading to a number of good opportunities.

Corporate

The Company transformed from an established private company to a public company listed on the ASX via an initial public offering (IPO) of shares during the period. The Company's shares commenced trading on the ASX on 26 October 2016. The listing was underpinned by an oversubscribed $25 million capital raising at $0.50 per share. The listing delivered an immediate premium of approximately 22% on the first day of trading and the share price remains at a 25% premium at $0.64 as at the date of signing this report.

Subsequent to the IPO, the Company has on issue 130,000,000 fully paid ordinary shares.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There are no significant events subsequent to balance date.

AUDITOR INDEPENDENCE DECLARATION

Section 307C of the 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 4 and forms part of this directors' report for the half-year ended 31 December 2016.

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
23 February 2017

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of VEEM Ltd for the year ended 31 December 2016, 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
23 February 2017

D I Buckley
Partner

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

Level 4, 130 Stirling Street Perth WA 6000 | PO Box 8124 Perth BC 6849 | Telephone +61 (08) 9227 7500 | Fax +61 (08) 9227 7533.

Email: hlb@hlbwa.com.au | Website: http://www.hlb.com.au

Condensed Statement of Comprehensive Income for the half-year ended 31 December 2016

	Note	31 December 2016 $	31 December 2015 $
Revenue		21,009,066	16,867,406
Changes in inventories of finished goods and work in progress		775,042	4,399,212
Raw materials and consumables		(7,502,814)	(7,394,790)
Employee benefits expense		(8,179,040)	(8,033,272)
Depreciation and amortisation expense		(724,116)	(1,037,280)
Repairs and maintenance expenses		(462,482)	(506,803)
Occupancy expenses		(1,151,324)	(1,140,573)
Borrowing costs expense		(94,576)	(123,514)
Listing and share registry expenses		(1,505,233)	-
Other expenses	4	(811,772)	(877,113)
Profit before income tax		**1,352,751**	**2,153,273**
Income tax expense		**(122,326)**	(284,911)
Profit after income tax		**1,230,425**	**1,868,362**
Other comprehensive income net of income tax		-	-
Total comprehensive income for the half-year		**1,230,425**	**1,868,362**
Earnings per share			
Basic earnings per share (cents)		0.99	1.56
Diluted earnings per share (cents)		0.99	1.56

The above Condensed Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Condensed Statement of Financial Position as at 31 December 2016

	Note	31 December 2016 $	30 June 2016 $
ASSETS			
Current Assets			
Cash and cash equivalents		848,619	646,970
Trade and other receivables		6,936,101	10,217,218
Inventories	5	7,536,481	5,976,840
Other assets		463,653	584,300
Total Current Assets		**15,784,854**	**17,485,328**
Non-Current Assets			
Property, plant and equipment	6	11,566,601	11,740,233
Intangible assets	7	7,454,839	6,958,710
Deferred tax assets		1,067,000	625,812
Total Non-Current Assets		**20,088,440**	**19,324,755**
Total Assets		**35,873,294**	**36,810,083**
LIABILITIES			
Current Liabilities			
Trade and other payables		4,293,585	4,481,960
Financial liabilities	8	3,004,175	4,868,818
Provisions		1,056,414	1,011,402
Tax liabilities		189,065	858,499
Total Current Liabilities		**8,543,239**	**11,220,679**
Non-Current Liabilities			
Financial liabilities	8	392,033	699,243
Deferred tax liabilities		750,556	673,099
Total Non-Current liabilities		**1,142,589**	**1,372,342**
Total Liabilities		**9,685,828**	**12,593,021**
Net Assets		**26,187,466**	**24,217,062**
EQUITY			
Issued capital	9	5,140,616	400,637
Retained earnings		21,046,850	23,816,425
Total Equity		**26,187,466**	24,217,062

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

Condensed Statement of Cash Flows for the half-year ended 31 December 2016

	31 December 2016 $	31 December 2015 $
Cash flows from operating activities		
Receipts from customers	22,707,001	14,949,479
Payments to suppliers and employees	(21,189,435)	(10,460,076)
Interest received	9,807	1,579
Interest paid	(94,576)	(123,514)
Tax (paid)/refunded	(1,155,491)	(263,759)
Net GST paid	(368,293)	(606,813)
Net cash flows (used in) / provided by operating activities	**(90,987)**	**3,496,896**
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,126,142)	(85,849)
Purchase of intangible assets	(506,129)	(1,720,463)
Proceeds from sale of property, plant and equipment	-	1,329
Net cash flows used in investing activities	**(1,632,271)**	**(1,804,983)**
Cash flows from financing activities		
Proceeds from issue of shares	5,000,000	-
Capital raising costs	(260,021)	-
Dividends paid	(4,000,000)	-
Proceeds from / (repayments of) borrowings	(1,500,000)	2,000,000
Proceeds from / (repayments to) related entities	2,753,526	(2,511,173)
Payments for finance lease liabilities	(259,155)	(538,869)
Net cash provided by (used in) financing activities	**1,734,350**	**(1,050,042)**
Net increase in cash and cash equivalents	11,092	641,871
Cash at the beginning of the period	646,970	(469,176)
Effects of exchange rate fluctations on cash held	11,642	(16,240)
Cash and cash equivalents at the end of the period, net of overdraft	**669,704**	**156,455**

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

Condensed Statement of Changes in Equity for the half-year ended 31 December 2016

	Issued capital $	Retained Earnings $	Total $
At 1 July 2016	**400,637**	**23,816,425**	**24,217,062**
Profit for the half-year	-	1,230,425	1,230,425
Other comprehensive income	-	-	-
Total comprehensive income for the half-year	-	1,230,425	1,230,425
Dividends paid	-	(4,000,000)	(4,000,000)
Issue of shares	5,000,000	-	5,000,000
Capital raising costs	(260,021)	-	(260,021)
Transactions with owners in their capacity as owners	4,739,979	(4,000,000)	739,979
Balance at 31 December 2016	**5,140,616**	**21,046,850**	**26,187,466**

	Issued capital $	Retained Earnings $	Total $
At 1 July 2015	**400,637**	**22,301,575**	**22,702,212**
Profit for the half-year	-	1,868,362	1,868,362
Other comprehensive income	-	-	-
Total comprehensive income for the half-year	-	1,868,362	1,868,362
Transactions with owners in their capacity as owners	-	-	-
Balance at 31 December 2015	**400,637**	**24,169,937**	**24,570,574**

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 2016

1. Corporate

The half-year financial report of VEEM Ltd ("the Company") for the half-year ended 31 December 2016 was authorised for issue on 21 February 2017 in accordance with a resolution of the directors on 21 February 2017.

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 financial statements for the half-year ended 31 December 2016 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 2016 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, except for the revaluation of certain financial instruments to fair value where applicable.

For the purpose of preparing the half-year financial report, the half year has to be treated as a descrete reporting period. Other than as set out in Note 2(b), the accounting policies and methods of computation are the same as those adopted in the most recent annual financial statements. 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 new and revised standards

Standards and Interpretations applicable to 31 December 2016

In the half-year ended 31 December 2016, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the half-year reporting periods beginning on or after 1 July 2016.

As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations in issue not yet adopted on the Company and therefore no material change is necessary to Company accounting policies.

Standards and Interpretations in issue not yet adopted applicable to 31 December 2016

The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet adopted that are relevant to the Company and effective for the half-year reporting periods beginning on or after 1 January 2017.

As a result of this review, the Directors have determined that AASB16 "Leases" may have a material effect on the application in future periods. The potential impact has not been quantified.

Other than the above, there is no material impact of the new and revised Standards and Interpretations on the Company and therefore no material change is necessary to Company accounting policies.

Notes to the Condensed Consolidated Financial Statements for the half-year ended 31 December 2016

Early adoption of Standards

The Company has early adopted AASB 15 "Revenue from contracts with Customers" which is mandatory for years beginning on or after 1 January 2018. There is no material impact on the adoption of this new standard in the current or comparative periods.

Significant accounting judgments and key estimates

The preparation of 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.

Except as described below, in preparing this half-year financial report, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2016.

In the half-year ended 31 December 2016, management has revised its metholdology of amortisation of Product Development. Product Development was previously amortised over 10 years. The revised methodology is to amortise Product Development based on units of production to better reflect he pattern of consumption of economic benefits by the Company over the assets useful life. Amortisation of Product Development for the period is $10,000. Amortisation under the previous methodology would have been $218,966.

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.

4. Other Expenses

	6 months to 31 December 2016 $	6 months to 31 December 2015 $
Insurance	(141,872)	(130,118)
Advertising and marketing	(229,924)	(193,530)
Travel	(61,910)	(122,606)
Bank Charges	(65,189)	(49,400)
Safety and first aid	(37,695)	(32,137)
Motor vehicle expenses	(57,470)	(88,515)
Accounting and secretarial	(41,915)	(48,777)
Telepohne expenses	(23,164)	(17,574)
Employee related expenses	(45,812)	(38,766)
Legal expenses	(35,761)	(53,788)
Other general expenses	(71,060)	(101,902)
	(811,772)	(877,113)

5. Inventories

	31 December 2016 $	30 June 2016 $
Work in progress	4,605,669	6,956,141
Less: Progress billings	(1,804,146)	(3,887,231)
	2,801,523	3,068,910
Goods for resale, raw materials and stores	4,734,958	2,907,930
	7,536,481	5,976,840

Notes to the Condensed Consolidated Financial Statements for the half-year ended 31 December 2016

6. Property, Plant and Equipment

	Plant and Equipment	Motor Vehicles	Capital Work in Progress	Computer Equipment	Total
As at 30 June 2016					
Cost	29,367,843	1,545,979	315,958	1,238,179	32,467,959
Accumulated depreciation	(18,776,718)	(799,303)	-	(1,151,705)	(20,727,726)
Closing carrying amount	**10,591,125**	**746,676**	**315,958**	**86,474**	**11,740,233**
Half-year ended 31 December 2016					
Opening carrying amount	10,591,125	746,676	315,958	86,474	11,740,233
Additions	279,897	8,987	828,614	8,644	1,126,142
Disposals	-	(585,658)	-	-	(585,658)
Depreciation charge	(663,614)	(34,349)	-	(16,153)	(714,116)
Closing carrying amount	**10,207,408**	**135,656**	**1,144,572**	**78,965**	**11,566,601**
As at 31 December 2016					
Cost	29,647,740	547,377	1,144,572	1,246,823	32,586,512
Accumulated Depreciation	(19,440,332)	(411,721)	-	(1,167,858)	(21,019,911)
Carrying amount	**10,207,408**	**135,656**	**1,144,572**	**78,965**	**11,566,601**

7. Intangible Assets

	Other Interllectual Property	Product Development	Total
As at 30 June 2016			
Cost	382,127	7,338,933	**7,721,060**
Accumulated amortisation	-	(762,350)	**(762,350)**
Closing carrying amount	**382,127**	**6,576,583**	**6,958,710**
Half-year ended 31 December 2016			
Opening carrying amount	382,127	6,576,583	**6,958,710**
Net additions	36,256	469,873	**506,129**
Amortisation charge	-	(10,000)	**(10,000)**
Closing carrying amount	**418,383**	**7,036,456**	**7,454,839**
As at 31 December 2016			
Cost	418.383	7,808,806	**8,227,189**
Accumulated amortisation	-	(772,350)	**(772,350)**
Carrying amount	**418.383**	**7,036,456**	**7,454,839**

Notes to the Condensed Consolidated Financial Statements for the half-year ended 31 December 2016

	31 December 2016 $	30 June 2016 $
8. Financial Liabilities		
Current		
Bank overdraft (a)	178,915	-
Bill facility – Secured (a)	2,500,000	4,000,000
Hire purchase liability	343,979	925,807
Less: Unexpired charges	(22,185)	(56,989)
Related party loan	3,466	-
	3,004,175	**4,868,818**
Non-current		
Hire purchase liability	436,157	764,606
Less: Unexpired charges	(44,125)	(65,363)
	392,032	**699,243**

(a) The bank overdraft and bill facility are secured by a registered first mortgage over the assets and undertakings of the company, as well as standard guarantee and indemnity from Mr Mark Miocevich and Mr Brad Miocevich, unlimited as to amount, as sureties on account of the Company. The Company is seeking to have the guarantees removed.

The Company has a Multi Option Facility with a limit of $5,900,000 that may be allocated between the Overdraft Facility and Commercial Bill Facility. In addition, there is an Electronic Payments Facility with a limit of $300,000, an Asset Finance Facility with a limit of $500,000 and a Commercial Card Facility with a limit of $25,000. The interest rate is currently at 2.94% (June 2016: 3.14%).

At 31 December 2016, the used Multi Option Bill Facility was $2,678,915, and the unused facility was $3,221,085, and the unused Asset Finance Facility was $500,000.

9. Issued Capital

(a) Issued and paid up capital

	31 December 2016 $	30 June 2016 $
Ordinary shares fully paid	5,140,616	400,587
‘B’ class fully paid shares	-	50
	5,140,616	400,637

(b) Movements in ordinary shares on issue

	6 months to 31 December 2016		Year to 30 June 2016	
	No.	$	No.	$
Movements in ordinary shares on issue				
Opening balance	82,955,330	400,587	82,955,330	400,537
Share subdivision (i)	37,044,670	50	-	-
Issue of fully paid ordinary shares at 50c per share	10,000,000	5,000,000	-	-
Capital raising costs	-	(260,021)		
Closing balance	130,000,000	5,140,616	82,955,330	400,537

Notes to the Condensed Consolidated Financial Statements for the half-year ended 31 December 2016

(c) Movements in B Class Shares

	6 months to 31 December 2016		Year to 30 June 2016	
	No.	$	No.	$
Movements in ordinary shares on issue				
Opening balance	100	50	100	50
Cancellation of B class shares (i)	(100)	(50)	-	-
Closing balance	-	-	100	50

(i) Prior to the IPO, the Company subdivided its Ordinary Shares from 82,955,330 shares to 120,000,000 shares and cancelled the B class shares.

(d) Share options

The are no options on issue at balance date.

10. Related Party Transactions

Transactions with the Company's related parties are described below. It should be noted that up to the date of the Company's Initial Public Offering and listing on the ASX on 26 October 2016, the Company was privately owned. As such, there were certain private assets held within the Company. These assets with a written down value of $585,658 were transferred out of the Company at market value.

The Company has entered into a lease agreement with Voyka Pty Ltd, an entity controlled by an entity related to Mr Mark Miocevich and Mr Brad Miocevich. The Company pays Voyka Pty Ltd monthly rent of $115,307 plus GST, totalling $691,842 for the six months to 31 December 2016. The rent is exclusive of any outgoings including rates, taxes, insurance premiums and maintenance costs. The Lease was made on commercial and arms length terms.

As at 30 June 2016, $2,750,060 was receivable from VEEM Corporation Pty Ltd, a company related to Mr Mark Miocevich and Mr Brad Miocevich. The debt was retired through payment of the interim dividend prior to the Company listing on the ASX.

11. Contingent Liabilities & Commitments.

(a) Operating lease commitments	**31 December 2016**	**30 June 2016**
- within one year	1,284,850	1,284,580
- after one year but not more than 5 years	1,572,375	2,201,325
	2,857,225	3,485,905

(b) Hire purchase commitments payable		
- within one year	343,979	925,807
- after one year but not more than five years	436,157	764,606
- longer than five years	-	-
Minimum hire purchase payments	780,136	1,690,413
Less: Unexpired charges	(66,310)	(122,352)
Total hire purchase payments	713,826	1,568,061
Represented by:		
Current	321,794	868,818
Non-current	392,032	699,243
	713,826	1,568,061

(c) Capital Committments		
- within one year	3,798,979	4,303,380

12. Subsequent Events

There are no significant events subsequent to reporting date.

13. Financial Instruments

Financial risk management objectives

Capital risk management
The Company manages its capital to ensure it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Company consists of debt, cash and cash equivalents and equity attributable to equity holders of the the Company, comprising issued capital and retained earnings.

The Company is not subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures such as tax, dividends and general administrative outgoings.

Gearing levels are reviewed by the Board on a regular basis in line with its target gearing ratio, the cost of capital and the risks associated with each class of capital.

Financial risk management objectives
The Company is exposed to market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

Market risk
The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and exchange rates.

There has been no change to the Company's exposure to market risks or the manner in which it manages and measures the risk from the previous period. The Company manages market risk by keeping abreast of factors affecting its market on a continual basis. Business improvement practices continually involve.

Foreign currency risk management
The Company undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. This is managed by the Company's operations having a natural hedge with materials purchased and sold at prices fixed at the prevailing rate.

Interest rate risk management
The Company is exposed to interest rate risk as it borrow funds at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix between fixed and floating rate borrowings.

The Company's exposures to interest rate on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Credit risk management
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Company uses publicly available financial information and its own trading record to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by managemen annually.

The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the Company's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Liquidity risk management
Ultimate responsibility for liquidity risk management rests with the board of Directors, who have built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 8 is a listing of additional undrawn facilities that the Company has at its disposal to further reduce liquidity risk.

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

14. Dividends

	6 months to 31 December 2016 $	Year to 30 June 2016 $
Fully franked dividends paid	142,000	1,310,000
Fully unfranked dividends paid	3,858,000	2,190,000
Total dividends paid	4,000,000	3,500,000

Balance of franking account at period end adjusted for franking credits arising from the payment of provision for income tax and dividends recognised as receivables, franking debits arising from payment of proposed dividends and franking credits that may be prevented from distribution in a subsequent financial year.

	31 December 2016	30 June 2016
Franking account balance	1,156,194	859,206

Director 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 Company's financial position as at 31 December 2016 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
23 February 2017

Accountants | Business and Financial Advisers

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

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of VEEM Ltd ("the company"), which comprises the condensed statement of financial position as at 31 December 2016, the condensed statement of comprehensive income, the condensed statement of changes in equity and the condensed 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.

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 company's financial position as 31 December 2016 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*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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 (WA Partnership) ABN 22 193 232 714
Level 4, 130 Stirling Street Perth WA 6000 | PO Box 8124 Perth BC 6849 | Telephone +61 (08) 9227 7500 | Fax +61 (08) 9227 7533.
Email: hlb@hlbwa.com.au | Website: http://www.hlb.com.au

HLB Mann Judd

Conclusion

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 is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the company's financial position as at 31 December 2016 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*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

D I Buckley

D I Buckley
Partner

Perth, Western Australia
23 February 2017