

## Appendix 4D

### VERIS LIMITED FOR THE HALF YEAR ENDED 31 DECEMBER 2016

The current reporting period is the half-year ended 31 December 2016. The prior reporting period is for the half-year ended 31 December 2015.

RESULTS ANNOUNCEMENT TO THE MARKET 31 DECEMBER 2016			
		Change from prior period	\$000's
Revenue	↓	12%	54,983
Expenses	↓	7%	50,113
Underlying Profit from operating activities			4,870
Depreciation and Amortisation	↑	32%	3,642
Restructuring Costs & Acquisition Costs	↑	212%	1,217
Share-based Payments	↑	37%	396
Net profit / (loss) from operating activities	↓	106%	(385)
Net profit from operating activities after tax attributable to members	↓	99%	181
Net profit after tax for the period attributable to members	↓	99%	181

### Explanation of Results

Following the affirmative resolution of the shareholders at the Annual General Meeting, the name of the company was changed from "OTOC Limited" to "Veris Limited" to commence a new brand for the Survey market in order to build on the strategic acquisition of a number of successful planning, design and surveying businesses, creating a national network with a significant presence across all major markets. Veris' national identity and presence will maximise the opportunity of consolidation within the surveying, town planning and urban design industry.



Veris' revenue for the period ended 31 December 2016 was \$54,983,000; down from \$62,486,000 in the prior corresponding period. Infrastructure revenues were down \$12,305,000 compared to the corresponding period in 2015, reflecting the contraction of the resources and infrastructure market in Western Australia and winding down of Infrastructure projects in Nauru. Surveying revenues increased \$4,802,000 with strong results in New South Wales and Victoria as a result of the continuing acquisition activity of the Company to create a national Survey Business.

EBITDA\* of \$4,870,000 was down from \$8,741,000 recorded in the prior corresponding period of 2015. Including corporate overheads and non-recurring acquisition costs, the Company recorded a net profit after tax of \$181,000, compared with a net profit after tax of \$14,313,000 in the prior corresponding period.

The Surveying segment recorded EBITDA of \$3,577,000; down from \$4,696,000. The result was negatively impacted by continued challenging market conditions in Western Australia and regional Queensland where resources construction activity has significantly contracted in calendar 2016, placing pressure on pricing and reducing margins in those regions. During the prior corresponding period the EBITDA result was positively influenced by significant activity in the Northwest of Western Australia which has since contracted. Strong results from South-east Queensland, New South Wales and Victoria provide validation of the establishment of the national professional services business to provide sustainable growth and mitigate Veris' exposure to the resources sector downturn. With pipeline projects showing significant and continued construction and government infrastructure growth in South-East Queensland, New South Wales and Victoria, it is anticipated growth in these areas will continue, combined with continuing acquisitions.

Western Australia has continued to see challenging economic conditions as a result of the downturn in the resources sector. In response, WA Operations continues to seek opportunities to reduce overheads and remain competitive, both in its smaller traditional market and also via its increased scope. An acquisition during the period has broadened its capability and adds a significant client base in gas infrastructure. Where possible, Veris is taking advantage of its national footprint to re-deploy staff to areas of activity to better manage demand and quality for its services, whilst saving on outsourcing during peak periods of demand.

Veris' Infrastructure division, which continues to be branded as OTOC Australia, contributed \$3,002,000 of EBITDA from operating activities, compared to \$5,977,000 for the same period last year. OTOC Australia's three year construction project on Nauru has been successfully delivered with numerous projects completed during the period and an anticipated demobilisation in Q3 of FY17. OTOC Australia will continue to manage overheads in line with project pipeline, and focus on sourcing and delivering infrastructure projects, including its remote communications solutions that meet managed growth criteria set by Board.

The Veris Limited Group is a national business; providing quality services to clients across Australia, with a strong cash balance of \$12,403,000 at 31 December 2016 and additional financial facilities available. Veris is positioned for further acquisitions and continued growth in the surveying sector.

\*EBITDA is defined as earnings before depreciation, amortisation, interest, tax, impairment, restructuring, share-based payments and acquisition costs and is an unaudited non-IFRS measure.

NTA Backing	31 December 2016	31 December 2015
	cents per share	cents per share
Net tangible assets per ordinary share	7.32 cents	6.66 cents



#### **Dividends declared**

On 16 August 2016 the Company declared a fully franked dividend for 2016 of 0.5 cents per share, totalling \$1,368,000; (2015: nil). The Dividend paid in cash to shareholders was \$1,060,000 and 1,024,415 shares issued under the Dividend Reinvestment Plan.

#### **Dividends or distribution reinvestment plan**

Veris introduced a Dividend Reinvestment plan during the period. The Dividend Reinvestment Plan's shortfall shares were underwritten by Veritas Securities Limited and 3,532,005 shares were issued to Veritas on the same date at 30.02 cents per share raising \$1,060,307 (net of underwriting fees). The 30.02 price per share was based on 5% discount to the VWAP 5 days following the recording date.

#### **Associates and joint venture entities**

Not applicable.

#### **Foreign entities GAAP applied**

Not applicable.

#### **Audit report**

This report is based on the interim financial report which has been independently reviewed and is not subject to qualifications.



**veris**

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**Veris Limited**  
**31 December 2016**  
**Interim Financial Report**

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## VERIS LIMITED 31 DECEMBER 2016 INTERIM FINANCIAL REPORT

### Directors' report

The directors of Veris Limited (the "Company" or "Veris") present their report together with the consolidated financial statements of the group comprising Veris Limited and its controlled entities (together referred to as "the Group"), for the six months ended 31 December 2016 and the review report thereon.

### Directors

The directors of the Company at any time during or since the end of the interim period are:

NAME	ROLE	PERIOD OF DIRECTORSHIP
<b>Non-executive</b>		
Derek La Ferla	Non-Executive Chairman	Appointed 28 October 2011
Tom Lawrence	Non-Executive Director	Appointed 13 October 2011
Karl Paganin	Non-Executive Director	Appointed 19 October 2015
<b>Executive</b>		
Adam Lamond	Executive Director	Appointed 13 October 2011

### DEREK LA FERLA | NON-EXECUTIVE CHAIRMAN

Mr La Ferla is an experienced corporate lawyer and company director with more than 30 years' experience. He has held senior positions with some of Australia's leading law firms, and is currently a Partner with Western Australian firm, Lavan, in the firm's Corporate Services Group. Mr La Ferla also serves as the chairman of Sandfire Resources Limited and Threat Protect Australia Limited and is a director of Goldfields Money Limited. He is a fellow of the Australian Institute of Company Directors (AICD) and member of the AICD Western Australian Council.

#### *Special Responsibilities*

Mr La Ferla is a member of the Nomination and Remuneration Committee and the Audit and Risk Committee.

#### *Directorships in last 3 years*

Sandfire Resources Limited (May 2010 – Current)

Threat Protect Australia Limited (September 2015 – Current)

Goldfields Money Limited (November 2015 – Current)

#### *Interests in Shares*

567,704 fully paid ordinary shares

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## Directors' report (continued)

### **TOM LAWRENCE | NON-EXECUTIVE DIRECTOR**

Mr Lawrence is a qualified accountant with a Bachelor of Laws and a Masters Degree in taxation. Mr Lawrence was the principal of Lawrence Business Management for over 15 years, providing tax and management advice to a diverse range of businesses. He now works as a solicitor for Capital Legal, advising clients on a broad range of business related transactions. Mr Lawrence has been an advisor to Veris from its inception.

#### *Special Responsibilities*

Mr Lawrence is the Chairman of the Audit and Risk Committee and a member of the Nomination and Remuneration Committee and OHS Committee.

#### *Directorships in last 3 years*

None

#### *Interests in Shares*

3,662,596 fully paid ordinary shares

### **KARL PAGANIN | NON-EXECUTIVE DIRECTOR**

Mr Paganin has over 15 years senior experience in Investment Banking, specialising in transaction structuring, equity capital markets, mergers and acquisitions and strategic management advice to listed companies. Mr Paganin was a Director of Major Projects and Senior Legal Counsel for Heytesbury Pty Ltd (the private trading company of the Holmes à Court Family) which was the proprietor of John Holland Group Pty Ltd. Mr Paganin holds degrees in Law (B.Juris, LLB) and Arts (BA) from the University of Western Australia and is a Non-Executive Director of ASX listed Southern Cross Electrical Engineering Limited and Vice Chairman of the not for profit charity, Autism West Support Inc.

#### *Special Responsibilities*

Mr Paganin is the Chairman of the Nomination and Remuneration Committee and a member of the Audit and Risk Committee and OHS Committee.

#### *Directorships in last 3 years*

Southern Cross Electrical Engineering Ltd (June 2015 – current)

#### *Interests in Shares*

4,825,991 fully paid ordinary shares

### **ADAM LAMOND | EXECUTIVE DIRECTOR**

Mr Lamond founded his own electrical contracting business in 2003 which evolved into OTOC Contracting in 2008 and was subsequently listed on ASX in 2011 to become, Veris Limited. Mr Lamond has over 20 years' experience in the mining industry with particular expertise in construction and electrical activities in remote Western Australia. Mr Lamond held the position of Chief Executive Officer of Veris Limited from its listing in October 2011 to January 2014 and during this time, led the Company into a new strategic direction and diversification. Mr Lamond stepped down from his role as Chief Executive Officer in January 2014 with the appointment of Simon Thomas and he now maintains a role as Executive Director – Business Development.

#### *Directorships in last 3 years*

None

#### *Interests in Shares*

44,766,815 fully paid ordinary shares

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## Directors' report (continued)

### Principal Activities

Veris Limited (ASX: VRS) offers surveying, design, planning and infrastructure services throughout Australia. A leading provider of professional consulting and innovative spatial solutions, Veris delivers quality service to clients across a range of industry sectors – including land development, infrastructure and engineering surveying, aerial mapping, laser scanning, town planning and urban design in addition to providing infrastructure construction and maintenance services to clients covering government, resources, utilities, remote area and renewable energy.

### Review of operations

Following the affirmative resolution of the shareholders at the Annual General Meeting, the name of the company was changed from "OTOC Limited" to "Veris Limited" to commence a new brand for the Australian survey market in order to build on the strategic acquisition of a number of successful planning, design and surveying businesses, creating a national network with a significant presence across all major markets. Veris' national identity and presence will maximise the opportunity of consolidation within the surveying, town planning and urban design industry.

Veris' revenue for the period ended 31 December 2016 was \$54,983,000; down from \$62,486,000 in the prior corresponding period. Infrastructure revenues were down \$12,305,000 compared to the corresponding period in 2015, reflecting the contraction of the resources and infrastructure market in Western Australia and winding down of Infrastructure projects in Nauru. Surveying revenues increased \$4,802,000 with strong results in New South Wales and Victoria as a result of the continuing acquisition activity of the Company to create a national Survey Business.

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## Directors' report (continued)

EBIT and EBITDA is a non-IFRS measure that in the opinion of Veris provides useful information to assess the financial performance of the Group. A reconciliation between statutory results and underlying results is provided below. The non-IFRS measure is unaudited:

For the six months ended:

Total comprehensive income for the period

Add back:

Tax (benefit)/expense

Net finance expense

Restructuring costs

Acquisition costs

Share-based payment

EBIT profit (loss)

Depreciation

Amortisation

EBITDA

	31 Dec 2016 \$000	31 Dec 2015 \$000
	181	14,313
	(1,011)	(7,917)
	445	382
	368	-
	849	(1,082)
	396	289
	1,228	5,985
	1,688	1,256
	1,954	1,500
	<b>4,870</b>	<b>8,741</b>

## Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 22 and forms part of the directors' report for the six months ended 31 December 2016.

## Rounding off

The Company is of a kind referred to in ASIC Instrument 2016/191 and in accordance with that Instrument, amounts in the condensed consolidated interim financial statements and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the directors:



**Derek La Ferla**

Chairman

Dated at Perth this 24th day of February 2017

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 Dec 2016 \$000	30 Jun 2016 \$000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		12,403	12,968
Trade and other receivables		17,923	14,353
Work in progress		6,951	6,750
Other current assets		1,295	1,856
Current tax asset		-	42
<b>Total current assets</b>		<b>38,572</b>	<b>35,969</b>
<b>Non-current assets</b>			
Plant and equipment		10,592	8,048
Intangible assets		43,407	31,844
Deferred tax asset		6,543	6,716
<b>Total non-current assets</b>		<b>60,542</b>	<b>46,608</b>
<b>Total assets</b>		<b>99,114</b>	<b>82,577</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables		9,603	10,384
Deferred vendor payments	2	2,229	2,700
Loans and borrowings		4,312	7,799
Employee benefits		5,607	4,092
Current tax liability		608	-
<b>Total current liabilities</b>		<b>22,359</b>	<b>24,975</b>
<b>Non-current liabilities</b>			
Loans and borrowings		7,156	3,593
Deferred vendor payments	2	1,500	300
Employee benefits		928	411
<b>Total non-current liabilities</b>		<b>9,584</b>	<b>4,304</b>
<b>Total liabilities</b>		<b>31,943</b>	<b>29,279</b>
<b>Net assets</b>		<b>67,171</b>	<b>53,298</b>
<b>Equity</b>			
Share capital		37,286	22,622
Share based payment reserve	5	1,845	1,449
Retained earnings		28,040	29,227
<b>Total equity</b>		<b>67,171</b>	<b>53,298</b>

The condensed notes on pages 12 to 20 are an integral part of these consolidated interim financial statements.

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

For the six months ended 31 December 2016

	Note	2016 \$000	2015 \$000
Revenue		54,983	62,486
Expenses		(50,113)	(53,745)
		<b>4,870</b>	<b>8,741</b>
Depreciation		(1,688)	(1,256)
Amortisation		(1,954)	(1,500)
Acquisition related cost/(income)		(849)	1,082
Restructuring costs		(368)	-
Share-based payment		(396)	(289)
Results from operating activities		(385)	6,778
Financial income		28	38
Finance costs		(473)	(420)
<b>Net finance costs</b>		<b>(445)</b>	<b>(382)</b>
<b>Profit (loss) before income tax</b>		<b>(830)</b>	<b>6,396</b>
Income tax benefit (expense)	6	1,011	7,917
<b>Profit for the period</b>		<b>181</b>	<b>14,313</b>
<b>Total comprehensive income for the period</b>		<b>181</b>	<b>14,313</b>
<b>Earnings per share</b>			
Basic earnings cents per share		0.06	5.42
Diluted earnings cents per share		0.06	5.42

The condensed notes on pages 12 to 20 are an integral part of these consolidated interim financial statements.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### For the six months ended 31 December 2016

	Note	Share Capital \$000	Share Based Payment Reserve \$000	Retained Earnings \$000	Total Equity \$000
<b>Balance at 1 July 2016</b>		22,622	1,449	29,227	53,298
<b>Total comprehensive income for the period</b>					
Profit for the period		-	-	181	181
<b>Total comprehensive profit for the period</b>		-	-	181	181
<b>Transactions with owners of the Company, recognised directly in equity</b>					
Issue of ordinary shares (net of costs)		14,664	-	-	14,664
Dividends paid		-	-	(1,368)	(1,368)
Share-based payment transactions	5	-	396	-	-
<b>Total transactions with owners of the Company</b>		14,664	396	(1,368)	13,692
<b>Balance at 31 December 2016</b>		<b>37,286</b>	<b>1,845</b>	<b>28,040</b>	<b>67,171</b>

During the period the company issued 44.4 million shares to raise \$12,000,000. The company also issued 4.9 million shares valued at \$1,500,000 as part consideration for the acquisition of Lawrence Group; 1.9 million shares valued at \$500,000 as part consideration for the acquisition of Lester Franks; and 4.5 million shares valued at \$1,350,000 as a result of the Dividend Reinvestment Plan.

### For the six months ended 31 December 2015

	Note	Share Capital \$000	Share Based Payment Reserve \$000	Retained Earnings \$000	Total Equity \$000
<b>Balance at 1 July 2015</b>		22,155	399	9,529	32,083
<b>Total comprehensive income for the period</b>					
Profit for the period		-	-	14,313	14,313
<b>Total comprehensive profit for the period</b>		-	-	14,313	46,396
<b>Transactions with owners of the Company, recognised directly in equity</b>					
Issue of ordinary shares		-	-	-	-
Share-based payment transactions	5	-	289	-	289
<b>Total transactions with owners of the Company</b>		-	289	-	289
<b>Balance at 31 December 2015</b>		<b>22,155</b>	<b>688</b>	<b>23,842</b>	<b>46,685</b>

The condensed notes on pages 12 to 20 are an integral part of these consolidated interim financial statements.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2016

	Note	2016 \$000	2015 \$000
<b>Cash flows from operating activities</b>			
Receipts from customers		59,457	57,583
Payments to suppliers and employees		(57,945)	(51,584)
Cash generated from operations		1,512	5,999
Interest paid		(472)	(420)
Interest received		27	38
<b>Net cash from operating activities</b>		<b>1,067</b>	<b>5,617</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		229	284
Purchase of property, plant and equipment		(295)	(1,174)
Deferred vendor payment		(1,771)	(1,648)
Acquisition of subsidiaries net of cash acquired		(7,500)	-
<b>Net cash (used in) investing activities</b>		<b>(9,337)</b>	<b>(20,809)</b>
<b>Cash flows from financing activities</b>			
Dividends paid		(1,060)	-
Repayment of borrowings and lease liabilities		(3,575)	(3,103)
Proceeds from share issues (net of costs)		12,340	-
<b>Net cash (used in) from financing activities</b>		<b>7,705</b>	<b>(3,103)</b>
<b>Net increase in cash and cash equivalents</b>		<b>(565)</b>	<b>6,257</b>
Cash and cash equivalents at 1 July		12,968	10,182
<b>Cash and cash equivalents at 31 December</b>		<b>12,403</b>	<b>10,158</b>

The condensed notes on pages 12 to 20 are an integral part of these consolidated interim financial statements.

## **BASIS OF PREPARATION**

### **REPORTING ENTITY**

Veris Limited (the “Company” or “Veris”) is a for-profit company domiciled in Australia. The condensed consolidated interim financial statements of the Company as at and for the six months ended 31 December 2016 comprises the Company and its subsidiaries (together referred to as the “Group”). The Group is a diversified infrastructure and survey solutions company.

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2016 are available upon request from the Company’s registered office at Level 12, 3 Hasler Road Osborne Park WA 6017 or at [www.Veris.com.au](http://www.Veris.com.au)

### **STATEMENT OF COMPLIANCE**

The condensed consolidated interim financial statements are general purpose financial statements prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001, and with IAS 34 *Interim Financial Reporting*.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 30 June 2016. The consolidated interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated annual financial statements of the Group as at and for the year ended 30 June 2016.

These condensed consolidated interim financial statements were approved by the Board of Directors on 24 February 2017.

The Company is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors’ Reports) Instrument 2016/191* and in accordance with the legislative instrument, amounts in the consolidated interim financial statements have been rounded off to the nearest thousand dollars, unless otherwise stated.

### **JUDGEMENTS AND ESTIMATES**

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

The significant judgements 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 consolidated financial statements as at and for the year ended 30 June 2016.

### **SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies applied by the Group in the condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 30 June 2016.

## NOTES

### 1. OPERATING SEGMENTS

The Group has two reportable segments that are being managed separately by the service provided as described below:

- Surveying – provides surveying, mapping and town planning services across Australia
- Infrastructure – provides turnkey construction and installation services to the resources and infrastructure sectors.

Information regarding the results of each reporting segment is detailed below for the six months ended 31 December.

#### Information about reportable segments

	Surveying		Infrastructure		Total	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Revenues	30,380	25,476	25,532	37,876	55,912	63,352
Inter-segment revenues	(929)	(827)	-	(39)	(929)	(866)
External revenues	29,451	24,649	25,532	37,837	54,983	62,486
Costs	(26,351)	(20,072)	(22,982)	(32,607)	(49,333)	(52,679)
Inter-segment costs	477	119	452	747	929	866
External costs	(25,874)	(19,953)	(22,530)	(31,860)	(48,404)	(51,813)
EBITDA	3,577	4,696	3,002	5,977	6,579	10,673
Depreciation	(1,419)	(970)	(211)	(282)	(1,630)	(1,252)
Amortisation	(1,954)	(1,500)	-	-	(1,954)	(1,500)
EBIT for reportable segments	204	2,226	2,791	5,695	2,995	7,921
	Dec 2016 \$000	June 2016 \$000	Dec 2016 \$000	June 2016 \$000	Dec 2016 \$000	June 2016 \$000
Segment assets	70,584	52,777	16,892	18,043	87,476	70,820
Segment liabilities	15,621	11,988	8,582	10,736	24,203	22,724

Revenue from two major customers of the Group (Canstruct Pty Ltd and BHP Billiton Iron Ore Pty Ltd), individually representing more than 10% of total Group revenue, represented approximately \$21,900,000 during the six months ended 31 December 2016. (2015: two major customers of more than 10% representing approximately \$31,600,000).

*EBITDA is defined as earnings before depreciation, amortisation, interest, tax, impairment, restructuring, share-based payments and acquisition costs.*

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## 1. OPERATING SEGMENTS (CONTINUED)

### RECONCILIATIONS OF REPORTABLE SEGMENT REVENUES, PROFIT OR LOSS, ASSETS AND LIABILITIES

	2016 \$000	2015 \$000
<b>Revenues</b>		
Total revenue for reportable segments	55,912	63,352
Elimination of inter-segment revenue	(929)	(866)
Consolidated revenue	54,983	62,486
<b>Expenses</b>		
Total expenses for reportable segments	49,333	52,679
Elimination of inter-segment costs	(929)	(866)
Unallocated amounts - other corporate expenses	1,709	1,932
Consolidated expenses	50,113	53,745
<b>Profit (loss)</b>		
EBIT for reportable segments	2,995	7,921
Unallocated amounts - other corporate expenses	(2,163)	(2,225)
Acquisition related cost/income	(849)	1,082
Restructuring costs	(368)	-
Net finance expense	(445)	(382)
Consolidated profit (loss) before income taxes	(830)	6,396
	<b>Dec 2016 \$000</b>	<b>June 2016 \$000</b>
<b>Assets</b>		
Total assets for reportable segments	87,476	70,820
Other unallocated amounts	11,658	11,757
Consolidated total assets	99,114	82,577
<b>Liabilities</b>		
Total liabilities for reportable segments	24,203	22,724
Other unallocated amounts	7,740	6,555
Consolidated total liabilities	31,943	29,279



## 2. ACQUISITIONS

During the period, the Company made the following acquisitions as part of its national surveying and strategic plan as detailed below:

### ACQUISITION OF BUSINESS – LAWRENCE GROUP PTY LTD.

On 29 July 2016, the Group entered into an agreement to acquire Lawrence Group Pty Ltd, a Sydney-based surveying consultancy. The purchase price comprises of \$3,900,000 in cash and \$1,500,000 in the Company's shares. A further \$1,000,000 in cash will be paid if Lawrence achieves performance milestones. A net working capital adjustment will be paid (refunded) following completion of the acquisition. Details of the acquisition including total consideration transferred, goodwill recognition, identifiable assets acquired and liabilities assumed was provided at note 3 in the Company's 30 June 2016 Annual report. Further to the items identified on acquisition, the Company has recognised Deferred Tax assets of \$91,000 against the transaction, and performed the net working capital adjustment on completion, which amounted to a refund of \$299,000. Subject to the Share Sale Agreement with the vendors, no performance milestones had elapsed during the reporting period.

The identified assets and liabilities reflected at settlement were revised as follows:

	30 June 2016 Disclosure \$000	At Settlement \$000
Cash	136	174
Customer Relationships	1,980	1,980
Trade and other receivables	1,208	1,145
WIP	-	320
Other current assets	33	92
Property, plant and equipment	1,046	1,025
Deferred tax asset	-	91
Trade and other payables	(485)	(864)
Employee benefits	(262)	(344)
Loans and borrowings	(818)	(863)
Current Tax Liability	(173)	(1)
Deferred Tax Liability	-	(594)
	2,665	2,161

The amendment to the provisional goodwill recognised as a result of the above amendments is as follows:

	30 June 2016 Disclosure \$000	At Settlement \$000
Total consideration transferred	6,385	6,085
Fair value of identifiable assets and liabilities	(2,665)	(2,161)
Goodwill	3,720	3,924

### ACQUISITION OF BUSINESS – WKC SPATIAL

On 5 August 2016, the Group's subsidiary Whelans Australia Pty Ltd ("Whelans") acquired the business and certain assets of WKC Spatial ("WKC"). WKC is a geospatial, cadastral surveying and engineering business, based in Midland, Western Australia. The purchase consideration of \$1,900,000 was paid in cash with an additional scope for a royalty of 10% of the revenue for specific projects related to the prior owner's business development activities. The acquisition provides expertise and established client relationships within the gas infrastructure industry, complementing existing activities already undertaken by Whelans.

In the period since acquisition to 31 December 2016, WKC contributed revenue of \$1,201,000 and EBIT loss of (\$183,000) to the Group's results. If the acquisition had occurred on 1 July 2016, Management estimates that revenue would have been \$1,400,000 and contributed EBIT loss would have been (\$219,000). In determining these amounts, Management have assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 July 2016.

## 2. ACQUISITIONS – (continued)

### Consideration transferred

At balance date, Management is of the view that the specific circumstances to incur a liability for the potentially payable royalty are not yet sufficient to warrant accounting for in accordance with AASB 3.

### Identifiable assets acquired and liabilities assumed

The following summarises the recognised amounts of assets acquired and liabilities assumed at the acquisition date.

	\$000
Customer Relationships	1,200
Property, plant and equipment	285
Employee benefits - current	(302)
Deferred Tax Liability	(360)
Additional rectification works – pre-acquisition project	(158)
	<u>665</u>

The fair values of assets and liabilities have been determined on a provisional basis.

### Goodwill

Goodwill arising from the acquisition has been recognised as follows:

	\$000
Total consideration transferred	1,900
Fair value of identifiable assets and liabilities	<u>(665)</u>
Goodwill	<u>1,235</u>

The goodwill is attributable mainly to the skills and technical talent of WKC Spatial's workforce, and the synergies expected to be achieved from integrating the company into Whelans existing surveying business.

## ACQUISITION OF BUSINESS - GOODWIN MIDSON

On 2 November 2016, the Group's subsidiary Queensland Surveying Pty Ltd acquired the business and certain assets of Hillmir Pty Ltd trading as Goodwin Midson ("Goodwin Midson"), a geospatial, cadastral surveying and engineering business, based in Brisbane Queensland. The purchase consideration of \$500,000 was paid in cash with an additional royalty payment of 5% of gross revenue for the proceeding 12 month period, estimated at a maximum value of \$100,000.

The acquisition provides expertise and established client relationships within the construction and telecommunications industries, significant survey expert witness reputation and additional capacity for cadastral, geospatial, drafting, and GIS.

In the period since acquisition to 31 December 2016, Goodwin Midson contributed revenue of \$359,000 and EBIT of \$56,000 to the Group's results. If the acquisition had occurred on 1 July 2016, Management estimates that revenue would have been \$2,200,000 and contributed EBIT would have been \$339,000. In determining these amounts, Management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 July 2016.

## 2. ACQUISITIONS – (continued)

### Consideration transferred

The following table summarises the acquisition- date fair value of each major class of consideration transferred.

	\$000
Cash	500
Deferred vendor payment	100
	<u>600</u>

### Deferred vendor payment

As part of the purchase price, Queensland Surveying has agreed to pay the vendor a royalty payment in respect of awarded future work and developed relationships with established clients, amounting to 5% of the revenue specific to the Goodwin Midson business for the following 12 months from date of settlement, payable quarterly. A full provision of \$100,000 amounting to the maximum estimated amount payable has been recognised as deferred consideration at acquisition on the basis that the revenue target will be reached. If the targets are not reached, the fair value amount of the deferred consideration will be reduced in accordance with the asset sale agreement.

### Identifiable assets acquired and liabilities assumed

The following summarises the recognised amounts of assets acquired and liabilities assumed at the acquisition date.

	\$000
Cash (overdraft)	(16)
Customer Relationships	576
Property, plant and equipment	81
Employee benefits	(19)
Deferred Tax Liability	(173)
	<u>449</u>

The fair values of assets and liabilities have been determined on a provisional basis.

### Goodwill

Goodwill arising from the acquisition has been recognised as follows:

	\$000
Total consideration transferred	600
Fair value of identifiable assets and liabilities	(449)
Goodwill	<u>151</u>

The goodwill is attributable mainly to the skills and technical talent of Goodwin Midson's workforce, and the synergies expected to be achieved from integrating the company into the Group's existing surveying business.

## ACQUISITION OF BUSINESS – LESTER FRANKS SURVEY & GEOGRAPHIC PTY LTD

On 1 December 2016, the Group acquired the assets of Lester Franks Survey & Geographic Pty Ltd, a specialist geospatial, surveying and engineering business. Consideration paid was \$1,700,000 cash, issue of \$500,000 ordinary shares and potential future performance consideration of up to \$1,400,000, subject to the achievement of financial hurdles.

The acquisition brings specialised surveying skills to the group, including high-end 3D scanning, metrology and consulting capabilities.

In the period since acquisition to 31 December 2016, Lester Franks contributed revenue of \$400,000 and an EBIT loss of \$60,000 to the Group's results. If the acquisition had occurred on 1 July 2016, Management estimates that contributed revenue and would have been \$2,900,000 and EBIT profit of \$200,000. In determining these amounts, Management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 July 2016.

## 2. ACQUISITIONS – (continued)

### Consideration transferred

The following table summarises the acquisition- date fair value of each major class of consideration transferred.

	\$000
Cash	1,767
Equity instruments (1.852 million ordinary shares)	481
Deferred vendor payment	1,400
Provision for net asset adjustment due January 2017	104
	<u>3,752</u>

### Equity instruments issued

The fair value of the ordinary shares issued was based on the share price of the Company at 1 December of \$0.26 per share.

### Deferred vendor payment

As part of the purchase price the Company has agreed to pay the vendors of Lester Franks an earn-out of \$1,400,000 in two tranches over 2 years subject to meeting certain EBITDA hurdles of at least \$2,800,000 and Revenue of \$6,250,000 in a performance period. A full provision of \$1,400,000 has been recognised as deferred consideration at acquisition on the basis that management forecasts targets will be reached. If the targets are not reached, the fair value amount of the deferred consideration will be reduced in accordance with the asset sale agreement and credited to profit or loss.

### Identifiable assets acquired and liabilities assumed

The following summarises the recognised amounts of assets acquired and liabilities assumed at the acquisition date.

	\$000
Cash	58
Customer Relationships	2,900
Trade and other receivables	1,155
WIP	233
Other current assets	189
Property, plant and equipment	1,427
Current tax asset	138
Deferred tax asset	517
Trade and other payables	(681)
Employee benefits	(861)
Loans and borrowings	(1,473)
Deferred Tax Liability	(870)
	<u>2,732</u>

The fair values of assets and liabilities have been determined on a provisional basis.

### Goodwill

Goodwill arising from the acquisition has been recognised as follows:

	\$000
Total consideration transferred	3,752
Fair value of identifiable assets and liabilities	<u>(2,732)</u>
Goodwill	<u>1,020</u>

The goodwill is attributable mainly to the skills and technical talent of Lester Frank's workforce, and the complementary addition to geographical and capability spread to the existing survey businesses previously acquired by Veris Limited.

## 2. ACQUISITIONS – ACQUISITION COSTS

The Group incurred acquisition costs of \$849,000 to acquire new surveying businesses which is recognised in the Statement of Profit and Loss and Other Comprehensive Income.

### 3. DIVIDENDS

On 16 August 2016 the Company declared a fully franked dividend for 2016 of 0.5 cents per share, totalling \$1,368,000; (2015: nil). The Dividend paid in cash to shareholders was \$1,060,000 and 1,024,415 shares issued under the Dividend Reinvestment Plan.

The Dividend Reinvestment Plan's shortfall shares were underwritten by Veritas Securities Limited and 3,532,005 shares were issued to Veritas on the same date at 30.02 cents per share raising \$1,060,307 (net of underwriting fees). The 30.02 cents price per share was based on 5% discount to the VWAP 5 days following the recording date.

### 4. FINANCIAL INSTRUMENTS

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 30 June 2016. For further information on deferred vendor payments refer to Note 2.

### 5. SHARE-BASED PAYMENTS

As at 31 December 2016, the Group had the following share-based payment arrangements.

On 12 November 2014, the Group granted Performance Rights to eligible employees under the Group's Long Term Incentive Plan to motivate and reward their performance in achieving specified performance milestones in respect of the financial years ended 30 June 2015 to 30 June 2017. The Performance Rights are subject to continued employment and achievement of (relative total shareholder return and compounded earnings per share growth), and vesting times as follows:

Number of Performance Rights granted during 2015	Vesting Date (A)	Lapsed during year ended 30 June 2015	Vested during 2016 (B)	Vesting Hurdles			
				50% rTSR		50% EPS CAGR	
2,149,490	30 June 2015	(2,149,490)	-	<50th percentile	Nil	<6%	Nil
2,149,491	30 June 2016	-	2,149,491	>50th percentile, <75th percentile	50%, plus 2% for every one percentile increase above 50th percentile	>6%-<24%	pro rata vesting between 25%-100%
4,298,981	30 June 2017	-	-	75 <sup>th</sup> percentile or more	100%	24%>	100%
<b>8,597,962</b>		(2,149,490)	<b>2,149,491</b>				

(A) On vesting, Performance Rights will automatically convert to ordinary shares on a one to one basis. Performance Rights that do not vest will lapse.

An unvested Performance Right will lapse on the earlier to occur of:

- failure to satisfy applicable vesting conditions;
- the holder purporting to transfer the Performance Right otherwise than with the consent of the Board or by force of law;
- the employment of the holder ceasing, where such a condition was imposed on the grant of the Performance Right;
- in the opinion of the Board, the holder commits any fraudulent or dishonest act or is in breach of his or her obligations to the Company or subsidiary;
- the expiry date; or
- the seven year anniversary of the date of grant of Performance Rights

(B) On 25 August 2016, 2,149,490 Performance Rights vested due to vesting of the second tranche (25%) of the Performance Rights granted on 12 November 2014 to key executives under the OTOC Employee Incentive Scheme as approved by shareholders 3 November 2014 following achievement of the rTSR and EPSCAGR financial hurdles.

## 5. SHARE-BASED PAYMENTS (continued)

On 20 January 2016, the Group granted Performance Rights to eligible employees under the Group's Long Term Incentive Plan in respect of the financial years ended 30 June 2016 to 30 June 2018. Subject to continued employment and achievement of financial performance hurdles (relative total shareholder return and compounded earnings per share growth), the Performance Rights will vest as follows:

Number of Performance Rights granted during 2015	Vesting Date (A)	Lapsed during 2016 (B)	Cancelled during the Period (C)	Vesting Hurdles			
				50% rTSR		50% EPS CAGR	
2,239,415	30 June 2017	-	-	<50th percentile	Nil	5%	Nil
17,405,535	30 June 2018	(1,706,897)	(4,373,564)	>50th percentile, <75th percentile	50%, plus 2% for every one percentile increase above 50th percentile	>5%-<25%	pro rata vesting between 25%-100%
				75th percentile or more	100%	25%>	100%
<b>19,644,950</b>		<b>(1,706,897)</b>	<b>(4,373,564)</b>				

- (A) On vesting, Performance Rights will automatically convert to ordinary shares on a one for one basis. Performance Rights that do not vest will lapse. An unvested Performance Right will lapse upon the earlier to occur of:
- failure to satisfy the applicable vesting conditions;
  - the holder purporting to transfer the Performance Right otherwise than with the consent of the Board or by force of law;
  - the employment of the holder ceasing, where such a condition was imposed on the grant of the Performance Right;
  - in the opinion of the Board, the holder commits any fraudulent or dishonest act or is in breach of his or her obligations to the Company or subsidiary;
  - the expiry date; or
  - the seven year anniversary of the date of grant of the Performance Rights.
- (B) During the year ended 30 June 2016, 1,706,897 Performance Rights lapsed on cessation of employment of executives
- (C) During the period ended 31 December 2016, 4,373,564 Performance Rights were cancelled on cessation of employment of executives.

### Measurement of Fair Values of Share-Based Payments

The fair value of the Performance Rights issued under the Group's Long Term Incentives has been measured using the Monte Carlo simulation model incorporating the probability of the relative TSR vesting condition being met. The inputs used in the measurement of the fair values at grant date of the equity-settled share-based payments plans were as follows:

Performance Measure	Tranche 1		Tranche 2		Tranche 3	
	rTSR	EPSCAGR	rTSR	EPSCAGR	rTSR	EPSCAGR
Share price at grant date	\$0.175	\$0.175	\$0.175	\$0.175	\$0.175	\$0.175
Exercise price	N/A	N/A	N/A	N/A	N/A	N/A
Volatility	85%	85%	85%	85%	85%	85%
Performance Period	1 Jul 2015 – 30 Jun 2017		1 Jul 2015 – 30 Jun 2018		1 Jul 2015 – 30 Jun 2018	
Risk Free Rate	2.06%	2.06%	2.13%	2.13%	2.13%	2.13%
Remaining Life	0.62 years	0.62 years	1.62 years	1.62 years	1.56 years	1.56 years
Fair value at grant date	\$0.173	\$0.175	\$0.169	\$0.175	\$0.170	\$0.175

## 5. SHARE-BASED PAYMENTS (continued)

The measure of expected volatility used is the annualised standard deviation of the historical TSR for Veris and each constituent of the ASX All Ords for the length of time equal to the corresponding vesting period prior to the grant date.

## 6. TAX EXPENSE (BENEFIT)

Tax expense is recognised based on the best estimate of the weighted average annual income tax rate expected for the full financial year applied to the pre-tax income of the interim period.

### Reconciliation of effective tax rate:

	<b>2016</b>	<b>2015</b>
	<b>\$000</b>	<b>\$000</b>
Profit (loss) before income tax	(830)	6,396
Income tax at 30% (2015: 30%)	(249)	1,919
Add (less) tax effect of:		
Effect of Foreign Tax rates on tax payable	(990)	(1,877)
Other non-allowable /assessable items	204	(250)
Adjustments for prior periods	24	(7,709)
Income Tax Expense / (Benefit)	<u>(1,011)</u>	<u>(7,917)</u>

## 7. SUBSEQUENT EVENT

No significant subsequent events occurred since the end of the period.

# Veris Limited

## DIRECTORS' DECLARATION

In the opinion of the directors of Veris Limited ("the Company"):

1. the condensed consolidated financial statements and notes set out on pages 7 to 20, are in accordance with the Corporations Act 2001 including:
  - (a) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the six month period ended on that date; and
  - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
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.

Signed in accordance with a resolution of the directors:



**Derek La Ferla**

Chairman

Dated at Perth this 24th day of February 2017





## **Independent auditor's review report to the members of Veris Limited**

### **Report on the financial report**

We have reviewed the accompanying interim financial report of Veris Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2016, condensed consolidated statement of profit and loss and comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes 1 to 7 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

#### *Responsibility of the Directors for the interim financial report*

The directors of the company are responsible for the preparation of the interim 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 interim financial report that is free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility for the review of the interim financial report*

Our responsibility is to express a conclusion on the interim 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 interim 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 2016 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Veris Limited ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim 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*.



*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Veris Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

*KPMG.*

KPMG

A handwritten signature in blue ink, appearing to read 'R Gambitta'.

R Gambitta  
*Partner*

Perth

24 February 2017



***Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001***

To: the directors of Veris Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2016 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

*KPMG.*

KPMG

A handwritten signature in blue ink, appearing to read 'R Gambitta', with a stylized flourish at the end.

R Gambitta  
*Partner*

Perth

24 February 2017



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**Perth**

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## Corporate Information

**The registered office of the company is:**

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Osborne Park WA 6017

**The principal place of business is:**

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Osborne Park WA 6017  
Telephone: (08) 9317 0600

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