Veris Limited

31 December 2018
Interim Financial Report

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Contents

Directors' report	3
Condensed consolidated interim financial statements	8
Condensed consolidated statement of financial position	8
Condensed consolidated statement of profit or loss and comprehensive income	9
Condensed consolidated statement of changes in equity	10
Condensed consolidated statement of cash flows	11
Basis of Preparation	12
Notes to the condensed consolidated interim financial statements	14
Directors' declaration	25
Independent auditor's report on review of condensed consolidated interim financial	26
Lead auditor's independence declaration	28
Corporate information	29

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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 2018 and the independent 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
Non-executive		
Derek La Ferla	Independent Non-Executive Chairman	Appointed 28 October 2011
Tom Lawrence	Independent Non-Executive Director	Appointed 13 October 2011
Karl Paganin	Independent Non-Executive Director	Appointed 19 October 2015
Executive		
Adam Lamond	Executive Director	Appointed 13 October 2011
Brian Elton	Executive Director	Appointed 29 March 2018

Derek La Ferla | Independent 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

Member of the Nomination and Remuneration Committee

Member of the Audit and Risk Committee

Other Listed Company 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 Securities

598,417 fully paid ordinary shares

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DIRECTORS' REPORT (continued)

Adam Lamond | Executive Director

Mr Lamond has over 20 years' commercial experience with particular expertise in construction and infrastructure activities across Australia. Mr Lamond held the position of Chief Executive Officer of OTOC Limited from its listing in October 2011 to January 2014. Mr Lamond held the role of Executive Director – Business Development from January 2014 to March 2017, when he was appointed Managing Director. During this time Mr Lamond led the Company into its new strategic direction and diversification and has continued an active role within the Company throughout, supporting the evolution of the national surveying strategy and continued growth across infrastructure, property and resource markets throughout Australia.

Special Responsibilities

Member of the OHS Committee

Interests in Securities

46,041,815 fully paid ordinary shares

491,113 Unlisted Performance Rights

Tom Lawrence | Independent 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.

Special Responsibilities

Chairman of the Audit and Risk Committee

Member of the Nomination and Remuneration Committee

Member of the OHS Committee

Interests in Securities

7,947,598 fully paid ordinary shares

Karl Paganin | Independent 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.

Special Responsibilities

Chairman of the Nomination and Remuneration Committee

Member of the Audit and Risk Committee

Member of the OHS Committee

Other Listed Company Directorships in last 3 years

Southern Cross Electrical Engineering Ltd (June 2015 – current)

Interests in Securities
6,797,549 fully paid ordinary shares

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DIRECTORS' REPORT (continued)

Brian Elton – Executive Director

Brian Elton has over 40 years of experience in urban and regional planning in the UK and Australia focussing on urban strategy, urban policy and governance and the delivery of major projects. Mr Elton has expertise in the areas of strategic communications and engagement, housing, social planning and is a highly regarded strategic advisor to public and private sectors organisations and to not-for-profit groups. He has held senior executive positions in local and State Government and founded Elton Consulting in 1989. Mr Elton was appointed Executive Director on 29 March when Elton Consulting Pty Ltd was acquired by the Company.

Mr Elton has been involved in some of Australia's largest urban renewal, major infrastructure and city-making projects and in ground breaking urban policy reforms. He is passionate about sustainable urbanism.

Mr Elton is a Fellow of the Planning Institute of Australia and a Member of the Australian Institute of Company Directors. His affiliations include the International Association of Public Participation, Green Building Council of Australia and the Urban Development Institute of Australia.

Special Responsibilities

Member of the Audit and Risk Committee

Member of the OHS Committee

Interests in Securities

13,835,733 fully paid ordinary shares

309,167 Unlisted Performance Rights

PRINCIPAL ACTIVITIES

Veris Limited is the Group's holding company that is listed on the ASX under the code VRS.

Veris Limited have three operating businesses in the 2019 financial year - Surveying, Professional & Advisory and Communications. The Surveying business continues to be the largest business in the group. Professional and Advisory was created from the acquisition of Elton Consulting Group Pty Ltd in March 2018 and the Communications business has been extracted from the infrastructure operations that was discontinued in July 2017.

Veris is a professional service business delivering surveying, professional and advisory, and geospatial services to the infrastructure; property; energy, mining & resource; defence; agribusiness; tourism; leisure and government sectors throughout Australia.

Surveying Professional Services

Surveying is a profession that involves examining and recording the features of a piece of land or infrastructure in order to create maps, plans, detailed descriptions and to facilitate construction. Surveying services are provided across multiple markets including Land & Property, Resources, Infrastructure and Defence.

Professional and Advisory

Elton was acquired on 29 March 2018 to provide the foundation for the Professional and Advisory Services pillar. It was a key acquisition which allows the Group to maximise its exposure at the front-end of the lifecycle of projects, leading to greater market share and immediate revenue synergies.

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DIRECTORS' REPORT (continued)

Professional and Advisory Services provide expert advice and service delivery support to businesses, Commonwealth and state governments, local councils and not-for-profit organisations around Australia. Services include communications and engagement, urban and regional planning, strategy and policy, social sustainability as well as bid strategy and management. Key sectors include infrastructure, property development, resources, housing and human services.

Communications

Veris also owns AQURA Technologies Pty Ltd (formerly OTOC Australia Pty Ltd). AQURA complements the accomplished existing spatial solution capabilities of the survey business with highly specialised ICT and Communications services, offering industry-leading technology solutions.

REVIEW OF OPERATIONS

Veris' revenue from continued operations during the period ended 31 December 2018 was $63,587,000; up from $46,266,000 in the prior corresponding period. The increase was driven by the acquisition of Elton Consulting's National Professional and Advisory Services Company in March 2018 with revenue of $9,701,000 for the period (1H FY18: $nil) whilst Aqura Technologies Communications revenue was $6,481,000 up from $4,968,000 in the prior corresponding period. Surveying business revenue increased from $41,298,000 to $47,491,000. This growth was the result of the Group's strategy of developing a premier national professional business with desirable exposure to infrastructure; property and the resources markets.

Veris' EBITDA* was $3,273,000 for the period (1H FY18: $4,235,000) being a 23% decrease on the prior corresponding half.

Surveying EBITDA was $2,512,000 (1H FY18: $5,594,000) being a 55% decrease on the prior corresponding half. With the Surveying business underperforming to margin expectations during the period, a non-cash goodwill impairment charge to the carrying value of goodwill of the national surveying business was recognised.

The Professional and Advisory business achieved EBITDA of $1,431,000 for the period (1H FY18: $nil) and continues to deliver stable Revenue and meet EBITDA expectations post acquisition. Elton Consulting's EBITDA performance remains on target to achieve the milestone 1 earn-out entitlement under the deferred vendor payment arrangement.

Aqura Technologies achieved EBITDA of $1,096,000 for the period (1H FY18: $120,000). Strong margins continue to be achieved, underpinned by recent contract awards by blue chip clients Rio Tinto and BHP, the Communications business remains on track to provide a solid organic EBITDA contribution to the Veris group.

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

DIRECTORS' REPORT (continued)

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:	**31 Dec 2018 $000**	**31 Dec 2017 $000**
Total comprehensive income/(loss) for the period	(36,388)	(1,666)
Add back:		
Tax (benefit)/expense	(923)	(82)
Net finance expense	678	433
Restructuring costs	688	1,059
Acquisition costs	64	610
Impairment of Intangibles	34,431	-
Share-based payment	83	354
EBIT profit/ (loss)	(1,367)	708
Depreciation	2,491	1,365
Amortisation	2,149	2,116
Discontinued Operations	-	46
EBITDA	**3,273**	**4,235**

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 28 and forms part of the directors' report for the six months ended 31 December 2018.

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 27 day of February 2019

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 Dec 2018 $000	30 Jun 2018 $000
Assets			
Current assets			
Cash and cash equivalents		6,944	5,588
Trade and other receivables		22,846	30,932
Work in progress		9,017	10,538
Other current assets		2,961	1,705
Total current assets		41,768	48,763
Non-current assets			
Plant and equipment		14,521	15,242
Intangible assets	*9*	21,315	58,598
Deferred tax asset		7,869	6,275
Total non-current assets		43,705	80,115
Total assets		85,473	128,878
Liabilities			
Current Liabilities			
Trade and other payables		16,384	17,532
Deferred vendor payments		1,721	2,386
Loans and borrowings		4,682	6,381
Employee benefits		9,989	9,505
Current tax liability		534	533
Total current liabilities		33,310	36,337
Non-current liabilities			
Loans and borrowings		17,603	19,647
Deferred vendor payments		2,884	3,625
Employee benefits		1,040	1,066
Total non-current liabilities		21,527	24,338
Total liabilities		54,837	60,675
Net assets		**30,636**	**68,203**
Equity			
Share capital		42,640	40,887
Share based payment reserve	*4*	2,384	2,349
Retained earnings/ accumulated losses		(14,388)	24,967
Total equity		**30,636**	**68,203**

The notes on pages 12 to 24 are an integral part of these condensed consolidated interim financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

For the six months ended 31 December 2018

	Note	2018 $000	2017 $000
Revenue		63,587	46,266
Expenses		(60,314)	(42,031)
		3,273	**4,235**
Depreciation		(2,491)	(1,365)
Amortisation		(2,149)	(2,116)
Acquisition related cost		(64)	(610)
Restructuring costs		(688)	(1,059)
Impairment of Intangibles	*9*	(34,431)	-
Share-based payment		(83)	(354)
Results from operating activities		(36,633)	(1,269)
Finance income		2	7
Finance costs		(680)	(440)
Net finance costs		(678)	(433)
Profit/ (loss) before income tax		**(37,311)**	**(1,702)**
Income tax benefit/ (expense)	*5*	923	82
Profit/ (loss) from continuing operations		**(36,388)**	**(1,620)**
Profit/ (loss) from discontinued operations, net of tax		-	(46)
Profit/ (loss) for the period		**(36,388)**	**(1,666)**
Total comprehensive income/ (loss) for the period		**(36,388)**	**(1,666)**

Earnings per share

Basic earnings cents per share		(10.27)	(0.50)
Diluted earnings cents per share		(10.27)	(0.50)

The notes on pages 12 to 24 are an integral part of these condensed consolidated interim financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2018

	Note	Share Capital $000	Share Based Payment Reserve $000	Retained Earnings/ (Accumulated losses) $000	Total Equity $000
Balance at 1 July 2018		40,887	2,349	24,967	68,203
Adjustment on initial application of AASB 9	*7*	-	-	(651)	(651)
Adjustment on initial application of AASB 15	*7*	-	-	(546)	(546)
Adjusted balance at 1 July 2018		40,887	2,349	23,770	67,006
Total comprehensive income for the period					
Loss for the period		-	-	(36,388)	(36,388)
Total comprehensive profit for the period		-	-	(36,388)	(36,388)
Transactions with owners of the Company, recognised directly in equity					
Issue of ordinary shares (net of costs)		1,753	-	-	1,753
Dividends paid		-	-	(1,770)	(1,770)
Share-based payment transactions	*4*	-	35	-	35
Total transactions with owners of the Company		1,753	35	(1,770)	18
Balance at 31 December 2018		**42,640**	**2,384**	**(14,388)**	**30,636**

During the period the company issued 8.4 million shares valued at $1,770,000 as a result of the Dividend Reinvestment Plan.

For the six months ended 31 December 2017

	Note	Share Capital $000	Share Based Payment Reserve $000	Retained Earnings $000	Total Equity $000
Balance at 1 July 2017		37,283	1,747	27,907	66,937
Total comprehensive income for the period					
Loss for the period		-	-	(1,666)	(1,666)
Total comprehensive profit for the period		-	-	(1,666)	(1,666)
Transactions with owners of the Company, recognised directly in equity					
Issue of ordinary shares (net of costs)		379	-	-	379
Dividends paid			-	(1,636)	(1,636)
Share-based payment transactions	*4*	-	354	-	354
Total transactions with owners of the Company		379	354	(1,636)	(903)
Balance at 31 December 2017		**37,662**	**2,101**	**24,605**	**64,368**

The notes on pages 12 to 24 are an integral part of these condensed consolidated interim financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2018

	Note	2018 $000	2017 $000
Cash flows from operating activities			
Receipts from customers		77,861	48,611
Payments to suppliers and employees		(69,797)	(48,864)
Cash generated from operations		8,064	(253)
Interest paid		(680)	(491)
Interest received		2	12
Net cash from operating activities		7,386	(732)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		381	2,678
Purchase of property, plant and equipment		(1,878)	(714)
Deferred vendor payment		(1,415)	(1,249)
Acquisition of subsidiaries net of cash acquired		266	(3,630)
Net cash (used in) investing activities		(2,646)	(2,915)
Cash flows from financing activities			
Dividends paid		-	(1,256)
Repayment of borrowings and lease liabilities		(3,384)	(1,563)
Net cash (used in) from financing activities		(3,384)	(2,819)
Net increase in cash and cash equivalents		1,356	(6,466)
Cash and cash equivalents at 1 July		5,588	14,574
Cash and cash equivalents at 31 December		**6,944**	**8,108**

The notes on pages 12 to 24 are an integral part of these condensed consolidated interim financial statements.

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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 2018 comprises the Company and its subsidiaries (together referred to as the "Group"). The Group is a diversified survey solutions and communications company.

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2018 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

GOING CONCERN

For the half year ended 31 December 2018, the Group recorded a loss before income tax of $37,311,000, this included an impairment of intangible assets of $34,431,000. The Group's net cash flow from operating activities was $7,386,000 with a net current asset position of $8,458,000.

During the half year the Group negotiated new covenant terms with its primary bankers for the remaining quarters of the FY19 financial year. Prior to the expiration of the financial year it is the intention by both parties to revisit the terms beyond this period and to reach an agreement prior to 30 June 2019 on the applicable quarterly banking covenants. Should these terms not be agreed with the Group's bankers, the company may pursue other funding alternatives available to it to support the ongoing requirements of the business.

For these reasons the Directors continue to adopt the going concern basis in preparing these financial statements.

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 2018. 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 2018.

These condensed consolidated interim financial statements were approved by the Board of Directors on 27 February 2019.

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.

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BASIS OF PREPARATION (CONTINUED)

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 2018, except for;

- new significant judgements and key sources of estimation uncertainty related to the application of AASB 9 and AASB 15, which are described in Note 7
- as a result of changes in key assumptions, an impairment loss is recognised for the amount by which the surveying CGU assets carrying amount exceeds its recoverable amount, which are described in note 9

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 2018.

This is the first set of the Group's financial statements where AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* have been applied. Changes to significant accounting policies are described in Note 7.

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NOTES

1. OPERATING SEGMENTS

The Group has three reportable segments and the services they provide are:

- Surveying – examine and record the features of a piece of land or infrastructure in order to create maps, plans, detailed descriptions and to facilitate construction
- Communications – provides specialised ICT and Communications services
- Professional and Advisory – provide expert advice to businesses, governments and not-for-profit organisations to support them to make considered and informed decisions on policy, strategy, city-making and service delivery.

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

Information about reportable segments

	Surveying		Communications		Professional & Advisory		Total	
	2018 $000	**2017 $000**	**2018 $000**	**2017 $000**	**2018 $000**	**2017 $000**	**2018 $000**	**2017 $000**
Revenues	47,491	43,188	6,483	5,024	9,701	-	63,675	48,212
Inter-segment revenues	(86)	(1,890)	(2)	(56)	-	-	(88)	(1,946)
External revenues	47,405	41,298	6,481	4,968	9,701	-	63,587	46,266
Costs	(44,979)	(37,614)	(5,387)	(4,884)	(8,270)	-	(58,636)	(42,498)
Inter-segment costs	86	1,910	2	36	-	-	88	1,946
External costs	(44,893)	(35,704)	(5,385)	(4,848)	(8,270)	-	(58,548)	(40,552)
EBITDA**	2,512	5,594	1,096	120	1,431	-	5,039	5,714
Depreciation	(2,358)	(1,289)	(77)	-	(50)	-	(2,485)	(1,289)
Amortisation	(1,654)	(2,116)	-	-	(495)	-	(2,149)	(2,116)
EBIT*** for reportable segments	(1,500)	2,189	1,019	120	886	-	405	2,309
	Dec 2018 $000	**June 2018 $000**	**Dec 2018 $000**	**June 2018 $000**	**Dec 2018 $000**	**June 2018 $000**	**Dec 2018 $000**	**June 2018 $000**
Segment assets	51,493	92,012	4,394	6,378	22,536	22,891	78,423	121,281
Segment liabilities	(29,019)	(29,558)	(4,702)	(5,149)	(2,724)	(3,010)	(36,445)	(37,716)

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

****EBIT is defined as earnings before interest, tax, impairment, restructuring, discontinued operations, 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

	2018 $000	2017 $000
Revenues		
Total revenue for reportable segments	63,675	48,212
Elimination of inter-segment revenue	(88)	(1,946)
Consolidated revenue	63,587	46,266
Expenses		
Total expenses for reportable segments	58,636	42,498
Elimination of inter-segment costs	(88)	(1,946)
Unallocated amounts - other corporate expenses	1,766	1,479
Consolidated expenses	60,314	42,031
Profit/ (loss)		
EBIT for reportable segments	405	2,309
Impairment of Goodwill*	(34,431)	-
Unallocated amounts - other corporate expenses	(1,855)	(1,909)
Acquisition related cost/income	(64)	(610)
Restructuring costs	(688)	(1,059)
Net finance expense	(678)	(433)
Profit/ (loss) before income taxes	(37,311)	(1,702)

Assets	Dec 2018 $000	June 2018 $000
Total assets for reportable segments	78,423	121,281
Other unallocated amounts	7,050	7,597
Consolidated total assets	85,473	128,878
Liabilities		
Total liabilities for reportable segments	36,445	37,716
Other unallocated amounts	18,392	22,959
Consolidated total liabilities	54,837	60,675

**Impairment of Goodwill relates to the Surveying businesses acquired*

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2. DIVIDENDS

On 30 August 2018 the Company declared a fully franked dividend for 2018 of 0.5 cents per share, totalling $1,770,000; (2017: $1,636,000) with a record date of 11 September 2018. The Dividend Reinvestment Plan applied to this dividend and was fully underwritten. On 25 September 3,332,125 shares were issued to shareholders under the Dividend Reinvestment Plan at a price of 21.00 cents per share and on 26 September 5,096,593 shares were issued at a price of 21.00 cents per share in accordance with the Underwriting Agreement. The price per share, for both share issues, was based on 5% discount to the volume weighted average price of Veris Shares 5 days following the record date.

3. 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 2018.

4. SHARE-BASED PAYMENTS

As at 31 December 2018, the Group had the following share-based payment arrangements.

(i) 2017 Performance Rights

On 5 June 2017, the Group granted Performance Rights to eligible employees under the Group's Long Term Incentive Plan in respect of the three financial years ended 30 June 2017 to 30 June 2019. 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 (on issue 1 July 2018	Vesting Date [(A)]	Lapsed during the period	Vested during the Period
2,909,848	30 June 2019	837,500	-
2,909,848		**837,500**	**-**

Vesting Hurdles			
50% TSR [(B)]		50% 3 Year Absolute EPS Pooling [(C)]	
<100%	Nil	< 6	Nil
100% < 180%	Pre-rata vesting between 25% and 100%	>6- <6.5	pro rata vesting between 25%-100%
180%	100%	6.5>	100%

(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:

- i. failure to satisfy the applicable vesting conditions;
- ii. the holder purporting to transfer the Performance Right otherwise than with the consent of the Board or by force of law;
- iii. the employment of the holder ceasing, where such a condition was imposed on the grant of the Performance Right;
- iv. 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;
- v. the expiry date; or
- vi. the seven year anniversary of the date of grant of the Performance Rights.

(B) Performance of management measured against the absolute shareholder return target

(C) Performance management measured against a normalised EPS pooled approach setting an aggregate value of dollars of EPS that must be achieved over the three years (i.e. a pool consisting of year 1 EPS plus year 2 EPS plus year 3 EPS

(D) During the half-year ended 31 December 2018, 837,500 Performance Rights lapsed due to cessation of employment of Personnel.

4. SHARE-BASED PAYMENTS (CONTINUED)

(ii) 2019 Performance Rights

On 20 December 2018, the Group granted Performance Rights to eligible employees, being two non-executive directors under the New Veris Incentive Plan approved by shareholders on 21 November 2018 in respect of the financial years ending 30 June 2019 to 30 June 2022. Details of the Performance Rights issued and their vesting is as follows:

Number of Performance Rights granted	Vesting Date[a]	Lapsed	Vested
800,280	Various (2020-2022)	-	-

Vesting Hurdles

The Performance rights will vest depending on the achievement of an annual scorecard split between the following measures:

i. 20%-30% Corporate (minimum absolute EPS growth);
ii. 20%-25% Financial (budgeted EBITDA);
iii. 15%-20% Personal (measurable KPI's associated with the role); and
iv. 5% Behavioural (in-line with Veris' values)

Together (**The Measures**)

Measurement of the achievement of the annual scorecard will take place in August 2019 and any payment that will be made (subject to the achievement of The Measures) will be mandated to be taken 50% in cash and 50% in Performance Rights. Failure to meet the annual scorecard (or a portion thereof), will result in the Performance Rights issued in the table above lapsing (or part thereof).

The un-lapsed Performance Rights, will vest as follows:

a) 60% based on achievement of a 3 year absolute TSR hurdle* ("Tranche B"); and
b) 40% will vest in a future period in time, depending on continued employment for 4 years post issue (33% year 2 - 2020; 33% year 3-2021, 33% year 4-2022) ("Tranche A").

**TSR Hurdles (linked to 60% of Performance Rights):*

Performance Level	Growth[1] over 3 years	% of Grant to Vest
Base	< 20% Growth	0%
Threshold	> 20% Growth < 30% Growth	Pro-rata vesting between 25% & 100%
Stretch	> 30% Growth	100%

[1] Growth referred to in the table above is the compounded annual growth of the Veris Share price over 3 years from 1 July 2019 to 30 June 2022.

4. SHARE-BASED PAYMENTS (CONTINUED)

(iii) Measurement of Fair Values of Share-Based Payments

The fair value of the FY2019 Performance Rights issued under the Veris Incentive Plan 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:

	Tranche A[(A)]	Tranche B[(B)]
Performance Measure	**Retention**	**Absolute TSR**
Weighting of Performance Measure	40%	60%
Exercise price	N/A	N/A
Volatility	60%	60%
Performance Period	1/3: 1 Jul 2019 - 30 Jun 2020 1/3: 1 Jul 2019 - 30 Jun 2021 1/3: 1 Jul 2019 - 30 Jun 2022	1 Jul 2019-30 Jun 2022
Risk Free Rate	1.87%	1.87%
Remaining Life (years)	3	3
Fair value at grant date	$0.088	$0.014

(A) Tranche A will vest in three equal portions over the vesting period from 1 July 2019 to 30 June 2022 subject to continued employment.
(B) Tranche B rights will vest based on the achievement of the Company's absolute shareholder return ("TSR") measured as the cumulative annual TSR over the three-year performance period – absolute TSR hurdles outlined in the table at section 4(ii) above.
(C) The measure of expected volatility used is the annualised standard deviation of the continuously compounded rates of return on the share over a period of time.

Unvested Performance Rights

All of the 800,820 Performance Rights issued during the period remain unvested at 31 December 2018. 2,072,348 of the Performance Rights issued during 2017, remain unvested at 31 December 2018.

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5. 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:

	2018 $000	2017 $000
Profit/ (loss) before income tax – continuing operations	(37,311)	(1,702)
Income tax at 30% (2017: 30%)	(11,193)	(511)
Add (less) tax effect of:		
Other non-allowable /assessable items*	10,390	360
Adjustments for prior periods	(118)	69
Adjustments other	(2)	-
Income Tax Expense / (Benefit) – continuing operations	(923)	(82)
Profit/ (loss) before income tax – discontinued operations	-	43
Income tax at 30% (2017: 30%)	-	13
Add (less) tax effect of:		
Effect of Foreign Tax rates on tax payable	-	-
Other non-allowable /assessable items	-	-
Adjustments for prior periods	-	76
Income Tax Expense / (Benefit) – discontinued operations	-	89

* Relates largely to impairment of goodwill of surveying businesses

6. SUBSEQUENT EVENT

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

7. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at the year ended 30 June 2018.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 30 June 2019.

AASB 9 FINANCIAL INSTRUMENTS

The Group has initially adopted AASB 9 *Financial Instruments* from 1 July 2018. AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces AASB 139 *Financial Instruments: Recognition and Measurement*.

The following table summarises the impact, net of tax, of transition to AASB 9 on the opening balance of retained earnings.

Retained earnings	2018 $000
Recognition of expected credit losses under AASB 9	651

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7. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The effect of adopting AASB 9 on the carrying amounts of financial assets at 1 July 2018 relates solely to the new impairment requirements. The following table explains the original measurement categories under AASB 139 and the new measurement categories under AASB 9.

	Classification	
	Original (AASB 139)	**New (AASB 9)**
Trade and other receivables	Loans and receivables	Amortised cost

Trade and other receivables that were classified as loans and receivables under AASB 139 are now classified as financial assets measured at amortised cost. An increase of $651,000 in the allowance for impairment over these receivables was recognised in opening retained earnings at 1 July 2018 on transition to AASB 9.

AASB 9 replaces the 'incurred loss' model in AASB 139 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at Fair Value through Other Comprehensive Income (FVOCI) but not to investments in equity instruments. Under AASB 9, credit losses are recognised earlier than under AASB 139. The financial assets at amortised cost consist of trade receivables, cash and cash equivalents, and corporate debt securities.

Under AASB 9, loss allowances are measured on either of the following bases:

- 12 month ECLs: these are ECLs that result from possible default events within the 12 months after reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured as 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk has not increased significantly since initial recognition

The Group has elected to measure loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

Measurement of ECLs

ECLs are a probability–weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. variance between contractual cash inflow and cash flow expected by the Group). ECLs are discounted at the effective interest rate of the financial asset.

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7. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Credit-Impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

The Group has determined that the application of AASB 9's impairment requirements at 1 July 2018 result in an additional impairment as follows:

	2018 $000
Loss allowance at 30 June 2018 under AASB 139	**313**
Additional impairment recognised at 1 July 2018 on:	
Trade and other receivables as at 30 June 2018	651
Loss allowance at 1 July 2018 under AASB 139	**964**

Trade Receivables

The ECLs were calculated on actual credit loss experience over the past 12-18 months. The ECL analysis was limited in the absence of a sufficient timeframe of historical data, which would prove difficult to collate without undue cost or effort. The Group considers the approach and some of the assumptions used in calculating these ECLs as key sources of estimation uncertainty.

AASB 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces AASB 118 *Revenue*, AASB 111 *Construction Contracts* and related interpretations.

The Group has adopted AASB 15 from 1 July 2018 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application. Accordingly, the information presented for 2017 has not been restated.

The following table summarises the impact, net of tax, of transition to AASB 15 on retained earnings at 1 July 2018:

	2018 $000
Retained earnings	
Work in progress	546
Impact at 1 July 2018	**546**

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7. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Under AASB 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement such as the assessment of the probability of customer approval of variations and acceptance of claims, estimation of project completion date and assumed levels of project execution productivity. In making these assessments we have considered, for applicable contracts, the individual status of legal proceedings, including arbitration and litigation.

Revenue from the Group arises from providing professional services to our customers whereby we deliver surveying, professional and advisory, and geospatial services to various industries. Under AASB 15, these are to be predominately recognised over time with reference to inputs on satisfaction of the performance obligations. The services that have been determined to be one performance obligation are highly inter-related and fulfilled over time, therefore revenue continues to be recognised over time. Incentives, variations and claims exist which are subject to the same higher threshold criteria of only recognising revenue to the extent it is highly probable that a significant reversal or revenue will not happen.

8. NEW STANDARDS NOT YET ADOPTED

AASB 16 LEASES

AASB 16 Leases specifies how to recognise, measure and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise right-of-use assets and lease liabilities for almost all leases but will have the option not to recognise ‘short-term’ leases and leases of ‘low-value’ assets. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. AASB 16 applies to annual reporting periods beginning on or after 1 July 2019 and replaces AASB 117 Leases and the related interpretations as at the reporting date.

The Group manages its owned and leased assets to ensure there is an appropriate level of equipment to meet its current obligations and to tender for new work. The decision as to whether to lease or purchase an asset is dependent on a broad range of considerations at the time including financing, risk management and operational strategies following the anticipated completion of a project. The Group has not finalised its quantification of the effect of the new standard, however the following impacts are expected:

- the total assets and liabilities on the balance sheet will increase with a decrease in total net assets, due to the reduction of the capitalised asset being on a straight line basis whilst the liability reduces by the principal amount of repayments. Net current assets will show a decrease due to an element of the liability being disclosed as a current liability;

- the straight-line operating lease expense will be replaced with a depreciation charge for the right-of-use assets and interest expense on lease liabilities;

- interest expenses will increase due to the unwinding of the effective interest rate implicit in the lease. Interest expense will be greater earlier in a leases life due to the higher principal value causing profit.

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9. INTANGIBLE ASSETS AND IMPAIRMENT

The Group has recognised an impairment loss of $34,431,000 in respect of the goodwill originally attributed to the surveying businesses acquired.

Reconciliation of carrying amount of Intangibles:

	Goodwill	Customer Relationships	Brands	Total
	$000	$000	$000	$000
Balance at 1 July 2018				
Survey	34,431	8,375	-	42,806
Professional & Advisory	12,251	3,268	273	15,792
	46,682	**11,643**	**273**	**58,598**
Movements during the period				
Amortisation:				
Survey	-	(1,654)	-	(1,654)
Professional & Advisory	-	(456)	(39)	(495)
Impairment loss:				
Survey	(34,431)	-	-	(34,431)
Professional & Advisory	-	-	-	-
Adjustments:				
Survey	-	-	-	-
Professional & Advisory	(703)	-	-	(703)
	(35,134)	**(2,110)**	**(39)**	**(37,283)**
Balance at 31 December 2018				
Survey	-	6,721	-	6,721
Professional & Advisory	11,548	2,812	234	14,594
	11,548	**9,533**	**234**	**21,315**

Goodwill has arisen on businesses purchased and an impairment review is carried out annually.

Accounting Standards AASB 136 requires an entity to assess at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. Irrespective of whether there is any indication of impairment, an entity shall test goodwill acquired in a business combination for impairment annually. An asset is impaired when its carrying amount exceeds its recoverable amount.

At the reporting date, there were two indicators of impairment:

- Market capitalisation was less than net asset value (Veris Group)
- Revenue and EBITDA % was not meeting budgeted expectations (Surveying CGU)

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9. INTANGIBLE ASSETS AND IMPAIRMENT (CONTINUED)

IMPAIRMENT REVIEW

The Group tests annually whether the above intangible assets or goodwill are impaired, in accordance with the relevant accounting policy. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The Group determined value in use to be higher than fair value and therefore the recoverable amount of goodwill and other intangible assets are determined based on value in use of the company's CGU's, which management have assessed to be its operating businesses. The discounted cash flow method (value in use) estimates the value of the CGU as being equal to the present value of the future cash flows which are expected to be derived from the CGU.

For the purpose of impairment testing, goodwill has been allocated to CGU's as per the above.

The recoverable amount of the surveying CGU has been determined using a value in use discounted cash flow model.

RECOVERABLE AMOUNT TESTING – KEY ASSUMPTIONS

In determining value in use, it is necessary to make a series of assumptions to estimate future cash flows. The key assumptions requiring judgement include projected cash flows, growth rate estimates, discount rates, working capital and capital expenditure. The key assumptions utilised in the "value in use" calculations across all CGUs are forecasted EBITDA, long term growth rate (2.5%) (FY18: 2.0%) and discount rate (9.9%) (FY18: 9.3%).

(i) Projected cash flows

The Group determines the recoverable amount based on a "value in use" calculation, using five years cash flow projections. The projections are based on the management forecast for the calendar year ending 31 December 2019 and the management forecast for the subsequent calendar years ending 31 December 2023.

Forecasted EBITDA has been based on past experience and the Group's assessment of economic and regulatory factors affecting the industry within which the Group operates.

(ii) Long term growth rate

The future annual growth rates for calendar 2023 onwards to perpetuity are based on a growth rate of 2.5% (FY18: 2.0%)

(iii) Discount rate (9.9%) (FY18: 9.3%)

(iv) Terminal value (2.5%) (FY18: 2.0%)

As a result of changes in key assumptions, impairment testing of the Surveying CGU for the current reporting period resulted in an impairment loss of $34,431,000 being recognised to reflect the amount by which the asset's carrying amount exceeds its recoverable amount.

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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 8 to 24, 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 2018 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 27 day of February 2019

Independent Auditor's Review Report

To the shareholders of Veris Limited

Report on the Financial Report

Conclusion

We have reviewed the accompanying ***Interim Financial Report*** of Veris Limited.

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:

- giving a true and fair view of the ***Group's*** financial position as at 31 December 2018 and of its performance for the six months ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Interim Financial Report*** comprises:

- Condensed Consolidated statement of financial position as at 31 December 2018
- Condensed Consolidated statement of profit or loss and other comprehensive income, Condensed Consolidated statement of comprehensive income, Condensed Consolidated statement of changes in equity and Condensed Consolidated statement of cash flows for the six months ended on that date
- Notes 1 to 9 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The ***Group*** comprises Veris Limited (the Company) and the entities it controlled at the Interim Period's end or from time to time during the Interim Period.

Responsibilities 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*
- 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.

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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 2018 and its performance for the interim period 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 Period 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.

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

KPMG

Jane Bailey
Partner

Perth

27 February 2019

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 of Veris Limited for the financial year ended 31 December 2018 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Jane Bailey

Jane Bailey
Partner

Perth

27 February 2019

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CORPORATE INFORMATION

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