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

RESULTS FOR ANNOUNCEMENT TO THE MARKET

This Preliminary Final Report is provided to the Australian Securities Exchange (ASX) under ASX Listing Rule 4.2A.3

Current Reporting Period: 31 December 2019

Previous Corresponding Period: 31 December 2018

For and on behalf of the Directors

Caudwell

TRACY CAUDWELL
COMPANY SECRETARY

Dated: 21 February 2020

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Revenue and Net Profit (Loss)				**AUD $'000's**
Revenue from ordinary activities	up	2.61%	to	20,906
Profit/ (Loss) from ordinary activities	up	34.27%	to	893
Net Profit/ (Loss) for the period attributable to members	up	34.27%	to	893

Dividends

On 27 September 2019, the Company paid a final dividend in respect to the financial year ended 30 June 2019 of $474,500 representing a payment of $0.00365 per share.

The Directors have declared an interim fully franked dividend in respect to the 30 June 2020 year of $267,800 representing approximately 30% of Net Profit After Tax and $0.00206 per share with the following relevant details:

Date the dividend is payable	24 April 2020
Record date to determine entitlement to the dividend	9 March 2020
Amount per security	$0.00206
Total dividend	$267,800
Amount per security of foreign sourced dividend or distribution	N/A
Details of any dividend reinvestment plans in operation	N/A

COMMENTARY

The directors report accompanying this preliminary final report contains a review of operations and commentary on the results for the period ended 31 December 2019.

NET TANGIBLE ASSET BACKING

	31 Dec 2019 $'000's	31 Dec 2018 $'000's
Net Assets / (Liabilities)	31,515,680	29,803,321
Less intangible assets	(13,007,900)	(12,548,585)
Net tangible assets of the Company [1]	18,507,780	17,254,736
Fully paid ordinary shares on issue at Balance Date	130,000,000	130,000,000
Net tangible asset backing per issued ordinary share as at Balance Date	14.24c	13.27c

[1] Net tangible assets include right-of-use-assets of $14,431,422 and lease liabilities of $14,723,449.

AUDIT DETAILS

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

ABN 51 008 944 009

Financial Report for the Half-year Ended 31 December 2019

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CORPORATE DIRECTORY

Directors
Mr Brad Miocevich (Non-Executive Chairman)
Mr Mark Miocevich (Managing Director)
Mr Ian Barsden (Non-Executive Director)
Mr Peter Torre (Independent Non-Executive Director)
Mr Michael Bailey (Independent Non-Executive Director)

Joint Company Secretaries
Mr David Rich
Mrs Tracy Caudwell

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Stock Exchange
Australian Securities Exchange
(Home Exchange: Perth, WA)

ASX Code
VEE

DIRECTORS' REPORT

The Directors submit the financial report of VEEM Ltd ("the Company") for the half-year ended 31 December 2019. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

DIRECTORS

The names of Directors who held office during or since the end of the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Brad Miocevich	Non-Executive Chairman
Mark Miocevich	Managing Director
Ian Barsden	Non-Executive Director
Peter Torre	Independent Non-Executive Director
Michael Bailey	Independent Non-Executive Director

RESULTS OF OPERATIONS

The profit after tax for the half-year ended 31 December 2019 was $893,073 (31 December 2018: $665,114).

Dividends

On 27 September 2019, the Company paid a final dividend in respect to the financial year ended 30 June 2019 of $474,500 representing $0.00365 per share (2018: $338,000).

PRINCIPAL ACTIVITIES

The principal activity of the Company during the course of the half-year was the manufacturing of bespoke products and services for the marine, defence and mining industries.

REVIEW OF OPERATIONS

Operational Review

During the half-year, VEEM continued to receive increased enquiries and orders for its revolutionary gyrostabiliser ("gyro") product range. VEEM's patented gyros significantly reduce the rolling motion of vessels in waves, increasing on-sea time and improving personnel safety in a wide range of ocean conditions. VEEM's current range is suited for large vessels from 20 metres and above. Gyro orders currently on hand as at the date of this report are $4.6 million. One gyro sale was delivered in January 2020 and $3.1 million of the current orders in hand expected to be delivered by 30 June 2020. Gyro sales for the half were $2.1 million (up from $0.6 million in the six months to 31 December 2018), with full year sales to 30 June 2020 expected to be in the order of $5.5 million.

As at 31 December 2019 a number of gyro orders were well progressed through the Company's facility, which is reflected in a higher work in progress number compared to 30 June 2020. This work in progress includes the first build of VEEM's largest gyro, the VG1000SD for Damen ships that was largely completed at 31 December 2019 and is expected to be despatched later this quarter. Damen is Europe's 2nd largest shipbuilder with more than 200 new vessels annually. The VG1000SD gyro, which weighs 20 tonnes, will be one the largest gyros operating anywhere in the world.

Total Revenue for the half-year ended 31 December 2019 was $20.9m (2018: $20.4m) and Net Profit After Tax was $893,073 (2018: $665,114).

Whilst revenue was generally in line with the prior year, propeller sales were lower due to machine downtime toward the end of the period, which also contributed to an increased work in progress position at 31 December 2019. The lower propeller sales were offset with an increase in the Company's marine ride control work, however the gross margins on these sales were slightly lower which is reflected in an overall lower gross margin than the prior corresponding period.

As a result of the expected $10 million submarine valve contract with the Australian Submarine Corporation (ASC) being awarded at a much later date than scheduled, this normally regular revenue did not occur in the half-year. The contract is expected to be awarded in the coming weeks. While significant work will likely be completed during the second half of the 2020 financial year and therefore contribute to FY20 profit, delivery and invoicing will not commence until early in FY21.

VEEM's marketing costs, particularly in relation to gyros, significantly reduced as forecast in the 30 June 2019 operational review.

Outlook

The Company continues to cement itself as the global leader in the engineering, production and supply of large gyros. The Board has taken a systematic, long-term view in executing the development and roll out of the product range, ensuring all designs and materials are developed for a highly functioning, long-life, premium product. With increased enquiries, orders and sales being positive indicators of rapid future growth, the efforts to ensure complete customer satisfaction with the product and after-sales service have increased. The Company remains confident that sales of the large gyro range will continue to grow at an accelerating rate.

The traditional engineering and propeller business continues to underpin VEEM's operations and is expected to continue with sales of the Company's premium propeller range and the associated shaftline products anticipated to grow steadily.

Defence work is continuing with the potential for new work from several sources over the next year.

Planning and preparation work has commenced on the ASC submarine refit program, which will be ongoing through this year with invoicing and deliveries commencing early in FY21.

The workload from marine ride control has grown over the last six months and is expected to remain high for at least the rest of the financial year.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 21 February 2019, the Directors declared an interim fully franked dividend in respect to the 30 June 2020 year of $267,800, representing approximately 30% of Net Profit After Tax and $0.00206 per share.

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

AUDITOR INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 4 and forms part of this directors' report for the half-year ended 31 December 2019.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the Corporations Act 2001.

Brad Miocevich
Chairman
Perth, Western Australia
21 February 2020

HLB MANN JUDD
ADVISORY AND ACCOUNTING

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of VEEM Ltd for the half-year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) any applicable code of professional conduct in relation to the review.

Perth, Western Australia	**N G Neill**
21 February 2020	**Partner**

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Condensed Statement of Profit or Loss and Other Comprehensive Income for the half-year ended 31 December 2019

	Note	31 December 2019 $	31 December 2018 $
Revenue	6	20,906,425	20,374,585
Other income	6	8,924	27,269
Changes in inventories of finished goods and work in progress		2,293,047	4,139,512
Raw materials and consumables		(8,685,906)	(10,439,035)
Employee benefits expense		(9,477,895)	(9,097,830)
Depreciation and amortisation expense		(1,711,546)	(836,792)
Repairs and maintenance expense		(715,613)	(554,025)
Occupancy expense		(546,602)	(1,171,480)
Borrowing costs expense		(443,905)	(253,136)
Advertising, marketing and travel expense		(364,807)	(989,139)
Other expenses	4	(702,195)	(588,933)
Profit before income tax		**559,927**	**610,996**
Income tax benefit		333,146	54,118
Profit after income tax		**893,073**	**665,114**
Other comprehensive income, net of income tax		-	-
Total comprehensive income for the half-year		**893,073**	**665,114**
Earnings per share			
Basic earnings per share (cents)		0.69	0.51
Diluted earnings per share (cents)		0.69	0.51

The above Condensed Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Condensed Statement of Financial Position as at 31 December 2019

	Note	31 December 2019 $	30 June 2019 $
ASSETS			
Current Assets			
Cash and cash equivalents		982,689	2,874,087
Trade and other receivables		5,330,550	6,857,362
Inventories	5	13,921,297	11,038,548
Current tax assets		-	538,515
Other assets	8	782,580	1,004,793
Total Current Assets		**21,017,116**	**22,313,305**
Non-Current Assets			
Property, plant and equipment	7	13,105,072	12,944,012
Intangible assets	9	13,007,900	12,730,774
Right-of-use assets	10	14,431,422	-
Deferred tax assets		1,520,475	1,574,170
Total Non-Current Assets		**42,064,869**	**27,248,956**
Total Assets		**63,081,985**	**49,562,261**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	4,089,136	6,767,045
Provisions		1,038,149	1,022,878
Borrowings – current	11	3,952,742	1,798,075
Lease liabilities - current	13	1,218,474	-
Total Current Liabilities		**10,298,501**	**9,587,998**
Non-Current Liabilities			
Borrowings – non current	11	6,664,186	7,415,705
Provisions		100,931	-
Lease liabilities – non current	13	13,504,975	-
Deferred tax liabilities		997,712	1,384,555
Total Non-Current liabilities		**21,267,804**	**8,800,260**
Total Liabilities		**31,566,305**	**18,388,258**
Net Assets		**31,515,680**	**31,174,003**
EQUITY			
Issued capital	14	5,140,616	5,140,616
Retained earnings		26,375,064	26,033,387
Total Equity		**31,515,680**	**31,174,003**

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

Condensed Statement of Cash Flows for the half-year ended 31 December 2019

	Note	31 December 2019 $	31 December 2018 $
Cash flows from operating activities			
Receipts from customers		23,662,520	24,379,255
Payments to suppliers and employees		(24,311,586)	(20,173,676)
Interest paid		(443,905)	(253,136)
Income tax receipt/(paid)		538,515	(619,368)
Net GST paid		(427,231)	(307,599)
Net cash flows (used in)/ provided by operating activities		**(981,687)**	**3,025,476**
Cash flows from investing activities			
Purchase of property, plant and equipment		(656,025)	(100,559)
Purchase of intangible assets		(484,170)	(549,697)
Net cash flows used in investing activities		**(1,140,195)**	**(650,256)**
Cash flows from financing activities			
Dividends paid		(474,500)	(338,000)
Proceeds from borrowings		-	1,000,000
Repayments of borrowings		(300,000)	(1,400,000)
Payments of lease liabilities		(458,259)	-
Payments of hire purchase liabilities		(616,611)	(570,981)
Net cash used in financing activities		**(1,849,370)**	**(1,308,981)**
Net (decrease)/increase in cash and cash equivalents		(3,971,252)	1,066,239
Cash at the beginning of the period, net of overdraft		2,874,087	(324,741)
Effects of exchange rate fluctuations on cash held		(4,689)	(15,589)
Cash and cash equivalents at the end of the period, net of overdraft	11	**(1,101,854)**	**725,909**

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

Condensed Statement of Changes in Equity for the half-year ended 31 December 2019

	Note	Issued Capital $	Retained earnings $	Total $
At 1 July 2019		**5,140,616**	**26,033,387**	**31,174,003**
Adjustment on initial application of AASB 16	2(b)	-	(76,896)	(76,896)
		5,140,616	**25,956,491**	**31,097,107**
Profit for the half-year		-	893,073	893,073
Other comprehensive income		-	-	-
Total comprehensive income for the half-year		-	893,073	893,073
Dividends paid		-	(474,500)	(474,500)
Balance at 31 December 2019		**5,140,616**	**26,375,064**	**31,515,680**

	Issued Capital $	Retained earnings $	Total $
At 1 July 2018	**5,140,616**	**24,335,591**	**29,476,207**
Profit for the half-year	-	665,114	665,114
Other comprehensive income	-	-	-
Total comprehensive income for the half-year	-	665,114	665,114
Dividends paid	-	(338,000)	(338,000)
Balance at 31 December 2018	**5,140,616**	**24,662,705**	**29,803,321**

The above Condensed Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Notes to the Condensed Financial Statements for the half-year ended 31 December 2019

1. Corporate

The half-year financial report of VEEM Ltd ("the Company") for the half-year ended 31 December 2019 was authorised for issue on 21 February 2020 in accordance with a resolution of the Directors on 18 February 2020.

VEEM Ltd is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange. The nature of the operations and principal activities of the Company are described in the Directors' Report.

2. Basis Of Preparation And Accounting Policies

(a) Basis of preparation

These general purpose condensed financial statements for the half-year ended 31 December 2019 have been prepared in accordance with Australian Accounting Standard 134 Interim Financial Reporting and the Corporations Act 2001. Compliance with AASB 134 ensures compliance with IAS 34 Interim Financial Reporting.

These half-year financial statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company as the full financial statements. Accordingly, these half-year financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2019 and any public announcements made by VEEM Ltd during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The half-year report has been prepared on an accruals basis and is based on a historical cost basis.

For the purpose of preparing the half-year financial report, the half-year has to be treated as a discrete reporting period. The accounting policies and methods of computation are the same as those adopted in the most recent annual financial statements except for the impact of the new standards and interpretations described in Note 2(b) below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Going Concern

This report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

(b) Adoption of the revised standards

Standards and Interpretations applicable to 31 December 2019

In the half-year ended 31 December 2019, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the half-year reporting periods beginning on or after 1 July 2019. Those that have a material impact on the Company are set out below.

<u>AASB 16 Leases</u>

Change in accounting policy

AASB 16 *Leases* supersedes AASB 117 *Leases*. The Company has adopted AASB 16 from 1 July 2019, which has resulted in changes in the classification, measurement and recognition of leases. The changes result in almost all leases where the Company is the lessee being recognised on the Statement of Financial Position and removes the former distinction between 'operating' and 'finance' leases. The new standard requires recognition of a right-of-use asset (the leased item) and a financial liability (to pay rentals). The exceptions are short-term leases and leases of low value assets.

The Company has adopted AASB 16 using the retrospective approach under which the reclassifications and the adjustments arising from the new leasing rules are recognised in the opening Condensed Statement of Financial Position on 1 July 2019. Under this approach, the retained earnings are adjusted for the initial impact of application, and comparatives have not been restated.

The Company leases various premises, plant and equipment. Prior to 1 July 2019, leases were classified as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

(b) Adoption of the revised standards (continued)

From 1 July 2019, where the Company is a lessee, the Company recognises a right-of-use asset and a corresponding liability at the date that the lease asset is available for use by the Company (i.e. commencement date). Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a consistent period rate of interest on the remaining balance of the liability for each period.

The lease liability is initially measured at the present value of the lease payments that are not paid at commencement date, discounted using the rate implied in the lease. If this rate is not readily determinable, the Company uses its incremental borrowing rate.

Lease payments included in the initial measurement if the lease liability consist of:

- Fixed lease payments less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at commencement date;
- Any amounts expected to be payable by the Company under residual value guarantees;
- The exercise price of purchase options, if the Company is reasonably certain to exercise the options; and
- Termination penalties of the lease term reflect the exercise of an option to terminate the lease.

Extension options are included in a number of property leases across the Company. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if, at commencement date, it is reasonably certain that the options will be exercised.

Subsequent to initial recognition, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The lease liability is remeasured (with a corresponding adjustment to the right-of-use asset) whenever there is a change in the lease term (including assessments relating to extension and termination options), lease payments due to changes in an index or rate, or expected payments under guaranteed residual values.

Right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before commencement date, less any lease incentives received and any initial direct costs. These right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Where the terms of a lease require the Company to restore the underlying asset, or the Company has an obligation to dismantle and remove a leased asset, a provision is recognised and measured in accordance with AASB 137. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset.

Right-of-use assets are depreciated on a straight-line basis over the term of the lease (or the useful life of the leased asset if this is shorter). Depreciation starts on commencement date of the lease.

Where leases have a term of less than 12 months or relate to low value assets, the Company has applied the optional exemptions to not capitalise these leases and instead account for the lease expense on a straight-line basis over the lease term.

The impact on the accounting policies, financial performance and financial position of the Company from the adoption of AASB 16 is detailed below.

Impact on adoption of AASB 16

On adoption of AASB 16, the Company recognised lease liabilities in relation to leases, which had previously been classified as operating leases under the principles of AASB 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to lease liabilities on 1 July 2019 was 3.45%.

On initial application, right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of the make good provision.

Notes to the Condensed Financial Statements
for the half-year ended 31 December 2019

(b) Adoption of the revised standards (continued)

In the Condensed Statement of Cash Flows, the Company has recognised cash payments for the principal portion of the lease liability within financing activities, cash payments for the interest portion of the lease liability as interest paid within operating activities and short-term lease payments and payments for lease of low-value assets within operating activities.

The adoption of AASB 16 resulted in the recognition of right-of-use assets of $15,205,743, a make good provision of $100,931 and lease liabilities of $15,181,708 in respect of all operating leases, other than short-term leases and leases of low-value assets.

The net impact on retained earnings on 1 July 2019 was $76,896.

Practical expedients applied

In applying AASB 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with similar characteristics.
- The exclusion of initial direct costs for the measurement of the right-of-use-asset at the date of initial application.
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate.

Reconciliation of operating lease commitments previously disclosed and lease liabilities on 1 July 2019

Below is a reconciliation of total operating lease commitments as at 30 June 2019, as disclosed in the annual financial statements for the year ended 30 June 2019, and the lease liabilities recognised on 1 July 2019:

Lease liabilities	**30 June 2019** **$**
Operating lease commitments disclosed as at 30 June 2019	16,394,700
Discounted using the lessee's incremental borrowing rate at the date of initial application	(1,212,992)
Lease liabilities as at 1 July 2019	15,181,708

Other than the above, there is no material impact of the new and revised Standards and Interpretations on the Company.

New Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet adopted for the half-year ended 31 December 2019. As a result of this review, the Directors have determined that there is no material impact of the Standard and Interpretations in issue not yet adopted on the Company and, therefore, no change is necessary to its accounting policies.

No other new standards, amendments to standards or interpretations are expected to affect the Company's financial statements.

(c) Significant accounting judgments and key estimates

The preparation of the half-year financial report requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this half-year financial report, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial report for the year ended 30 June 2019.

The Company has leases for the main warehouse and related facilities, an office and production building. The lease liabilities are secured by the related underlying assets. In applying AASB16 for the first time, the Company has used the following practical expedients:

- The use of a single discount rate to a portfolio of leases with similar characteristics.
- The exclusion of initial direct costs for the measurement of the right-of-use-asset at the date of initial application.
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate.

3. Segment Reporting

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The entity does not have any operating segments with discrete financial information.

The Board of Directors review internal management reports on a monthly basis that are consistent with the information provided in the statement of comprehensive income, statement of financial position and statement of cash flows. As a result, no reconciliation is required because the information as presented is what is used by the Board to make strategic decisions.

4. Other Expenses

	6 months to 31 December 2019 $	6 months to 31 December 2018 $
Foreign exchange (losses)/gains (net)	(54,139)	11,719
Insurance	(131,164)	(137,959)
Bank charges	(44,742)	(82,607)
Safety and first aid	(38,206)	(35,512)
Motor vehicle expenses	(31,079)	(50,727)
Accounting and secretarial	(93,486)	(80,083)
Telephone expenses	(29,545)	(30,002)
Employee related expenses	(62,526)	(92,121)
Legal expenses	(4,350)	(1,254)
Other general expenses	(212,958)	(90,387)
	(702,195)	(588,933)

5. Inventories

	31 December 2019 $	30 June 2019 $
Work in progress – over time	8,812,254	6,723,472
Work in progress – point in time	1,727,355	1,833,131
Less: Progress billings	(6,285,732)	(7,417,879)
	4,253,877	1,138,724
Goods for resale, raw materials and stores	9,667,420	9,899,824
	13,921,297	11,038,548

Notes to the Condensed Financial Statements
for the half-year ended 31 December 2019

5. Inventories (continued)

Included in goods for resale, raw materials and stores are inventories carried at net realisable value with a carrying value of $1,367,875. The total amount expensed to profit or loss was $129,873. There were no write-downs charged to the statement of comprehensive income in relation to obsolete or damaged inventory in the current period (2018:$Nil).

6. Revenue

Revenue from contracts with customers

	6 months to 31 December 2019 $	6 months to 31 December 2018 $
Sales revenue		
• Revenue – point in time	2,473,418	1,084,802
• Revenue – over time	18,433,007	19,289,783
	20,906,425	20,374,585
Other revenue		
• Apprentice subsidies	2,871	12,415
• Commissions received	561	540
• Scrap metal	5,492	14,314
	8,924	27,269

7. Property, Plant and Equipment

	Plant and Equipment	Motor Vehicles	Capital Work in Progress	Computer Equipment	Total
As at 30 June 2019	**$**	**$**	**$**	**$**	**$**
Cost	35,416,129	595,057	111,637	1,455,678	37,578,501
Accumulated depreciation	(22,888,108)	(462,506)	-	(1,283,875)	(24,634,489)
Closing carrying amount	**12,528,021**	**132,551**	**111,637**	**171,803**	**12,944,012**
Half-year ended 31 December 2019					
Opening carrying amount	12,528,021	132,551	111,637	171,803	12,944,012
Additions	604,695	-	214,359	72,187	891,241
Depreciation charge	(691,268)	(13,995)	-	(24,918)	(730,181)
Closing carrying amount	**12,441,448**	**118,556**	**325,996**	**219,072**	**13,105,072**
As at 31 December 2019					
Cost	36,020,824	595,057	325,996	1,527,864	38,469,741
Accumulated Depreciation	(23,579,376)	(476,501)	-	(1,308,792)	(25,364,669)
Carrying amount	**12,441,448**	**118,556**	**325,996**	**219,072**	**13,105,072**

8. Other Assets

	31 December 2019 $	30 June 2019 $
Prepayments	457,093	442,044
Suppliers paid in advance	325,487	562,749
	782,580	1,004,793

9. Intangible Assets

	Other Intellectual Property	Product Development	Total
As at 30 June 2019	**$**	**$**	**$**
Cost	863,732	12,971,718	13,835,450
Accumulated amortisation	(179,321)	(925,355)	(1,104,676)
Closing carrying amount	**684,411**	**12,046,363**	**12,730,774**
Half-year ended 31 December 2019			
Opening carrying amount	684,411	12,046,363	12,730,774
Additions	42,999	441,171	484,170
Amortisation	(94,490)	(112,554)	(207,044)
Closing carrying amount	**632,920**	**12,374,980**	**13,007,900**
As at 31 December 2019			
Cost	906,731	13,412,889	14,319,620
Accumulated amortisation	(273,811)	(1,037,909)	(1,311,720)
Carrying amount	**632,920**	**12,374,980**	**13,007,900**

10. Right-of-Use Assets

	Note	Premises	Total
31 December 2019		**$**	**$**
Recognised on 1 July 2019 on adoption of AASB 16	2(b)	15,205,743	15,205,743
Depreciation expense		(774,321)	(774,321)
Closing carrying amount		14,431,422	14,431,422

	Premises	Total
As at 31 December 2019	**$**	**$**
Cost	15,486,397	15,486,397
Accumulated depreciation	(1,054,975)	(1,054,975)
Carrying amount	14,431,422	14,431,422

AASB 16 has been adopted during the period, refer note 2(b) for details.

11. Borrowings

	31 December 2019 $	30 June 2019 $
Current		
Bank overdraft	2,084,543	-
Commercial facility	600,000	600,000
Hire purchase liability	1,337,550	1,284,880
Less: Unexpired charges	(69,351)	(86,805)
	3,952,742	**1,798,075**

Notes to the Condensed Financial Statements
for the half-year ended 31 December 2019

11. Borrowings (continued)

	31 December 2019 $	30 June 2019 $
Non-current		
Commercial facility	6,100,000	6,400,000
Hire purchase liability	590,792	1,046,117
Less: Unexpired charges	(26,606)	(30,412)
	6,664,186	**7,415,705**

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Reconciliation to the Statement of Cash Flows:

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand and at bank and investments in money market instruments, net of outstanding bank overdrafts.

Cash and cash equivalents as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	31 December 2019 $	30 June 2019 $
Cash and cash equivalents	982,689	2,874,087
Bank overdraft	(2,084,543)	-
	(1,101,854)	**2,874,087**

The Company has a Commercial Facility with a limit of $7,700,000. The Commercial Facility is repayable by 1 July 2021. $50,000 of principal is payable monthly up to 31 December 2020 and thereafter $100,000 of principal is payable each calendar month with the remaining facility amount owing payable on the termination date. The loan facility limit is reduced by the principal component of each repayment. Interest at the base rate (BBSY) plus 1.75% per annum is charged monthly and a line fee of 0.75% per annum of the Facility Limit is payable quarterly in arrears. The interest rate is currently 2.67% (June 2019: 2.77%). At 31 December 2019, the Company had available a further $1,000,000 (June 2019: $1,000,000) of undrawn committed capacity under the Commercial Facility in respect of which all conditions precedent had been met.

The Company has an Overdraft Facility with a limit of $3,400,000. Interest at the ANZ Reference Rate less 0.75% per annum is charged monthly. At 30 June 2019, the Company had available $1,315,457 (June 2019: $3,400,000) of undrawn overdraft facilities. In addition, there is an Electronic Payment Facility with a limit of $300,000. At 30 June 2019, the Company had available $300,000 under this facility. The Company complied with all banking covenants during the period.

The bank overdraft and commercial facility are secured by a registered first mortgage over the assets and undertakings of the Company. The facilities are reviewed on an annual basis each April.

Notes to the Condensed Financial Statements for the half-year ended 31 December 2019

11. Borrowings (continued)

Financing facilities available

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

	31 December 2019 $	30 June 2019 $
Total facilities		
• Overdraft Facility	3,400,000	3,400,000
• Commercial Facility	7,700,000	8,000,000
• Electronic Payments Facility	300,000	300,000
• Commercial Card Facility	50,000	50,000
	11,450,000	**11,750,000**
Facilities used at balance date		
• Overdraft Facility	2,084,543	-
• Commercial Facility	6,700,000	7,000,000
• Commercial Card Facility	16,675	37,004
	8,801,218	**7,037,004**
Facilities unused at balance date		
• Overdraft Facility	1,315,457	3,400,000
• Commercial Facility	1,000,000	1,000,000
• Electronic Payments Facility	300,000	300,000
• Commercial Card Facility	33,325	12,996
	2,648,782	**4,712,996**
Total facilities		
• Facilities used at balance date	8,801,218	7,037,004
• Facilities unused at balance date	2,648,782	4,712,996
	11,450,000	**11,750,000**

The carrying value of plant and equipment held under hire purchase contracts at 31 December 2019 is $1,833,008 (June 2019: $3,856,541). Additions during the year include $235,216 (June 2019: $131,985) of plant and equipment held under hire purchase contracts.

12. Trade and Other Payables

	31 December 2019 $	30 June 2019 $
Trade payables (i)	2,305,483	4,862,946
Annual leave payable	1,172,867	1,135,046
GST payable	141,673	317,175
Other creditors	469,113	451,878
	4,089,136	6,767,045

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

13. Lease Liabilities

	Premises $	Total $
31 December 2019		
Current liabilities	1,218,474	1,218,474
Non-current liabilities	13,504,975	13,504,975
	14,723,449	14,723,449

13. Lease Liabilities (continued)

Reconciliation

	Note	Premises $	Total $
Recognised on 1 July 2019 on adoption of AASB 16	2(b)	15,181,708	15,181,708
Principal repayments		(458,259)	(458,259)
Closing balance		14,723,449	14,723,449

AASB 16 has been adopted during the period, refer note 2(b) for details.

The average lease term is 10 years.

Underlying assets serve as security for the related lease liabilities. A maturity analysis of future minimum lease payments is presented below:

Lease payments due 31 December 2019	<1 year $	1-5 years $	>5 years $	Total $
Lease payments	1,707,484	7,113,630	8,032,210	16,853,324
Interest	(70,476)	(819,593)	(1,239,806)	(2,129,875)
Net present values	1,637,008	6,294,037	6,792,404	14,723,449

Total cash outflow relating to leases for the period ended 31 December 2019 was $717,368, of which $458,259 related to principal payments, $259,109 related to interest.

14. Issued Capital

(a) Issued and paid up capital

	31 December 2019 $	30 June 2019 $
Ordinary shares fully paid	5,140,616	5,140,616
	5,140,616	5,140,616

(b) Movements in ordinary shares on issue

	6 months to 31 December 2019		Year to 30 June 2019	
	No.	$	No.	$
Movements in ordinary shares on issue				
Opening balance	130,000,000	5,140,616	130,000,000	5,140,616
Closing balance	130,000,000	5,140,616	130,000,000	5,140,616

(c) Share options

There are no options on issue at balance date.

Notes to the Condensed Financial Statements
for the half-year ended 31 December 2019

15. Contingent Liabilities & Commitments

	31 December 2019 $	30 June 2019 $
Hire purchase commitments payable		
- within one year	1,337,550	1,284,880
- after one year but not more than five years	590,792	1,046,117
- longer than five years	-	-
Minimum hire purchase payments	1,928,342	2,330,997
Less: Unexpired charges	(95,957)	(117,217)
Present value of hire purchase payments	1,832,385	2,213,780
Represented by:		
Current	1,268,199	1,198,075
Non-current	564,186	1,015,705
	1,832,385	2,213,780

16. Subsequent Events

On 21 February 2019, the Directors declared an interim fully franked dividend in respect to the 30 June 2020 year of $267,800, representing approximately 30% of Net Profit After Tax and $0.00206 per share.

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

17. Dividends

	6 months to 31 December 2019 $	6 months to 31 December 2018 $
Fully franked dividends paid	474,500	338,000
Dividends paid	474,500	338,000

18. Financial Instruments

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

Directors' Declaration

In the opinion of the Directors of VEEM Ltd ('the Company'):

1. The financial statements and notes thereto, are in accordance with the Corporations Act 2001 including:

    a. complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and

    b. giving a true and fair view of the Company's financial position as at 31 December 2019 and of its performance for the half-year then ended.

2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001.

Brad Miocevich
Chairman
Perth, Western Australia
21 February 2020

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

Report on the Condensed Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of VEEM Ltd ("the company"), which comprises the condensed statement of financial position as at 31 December 2019, the condensed statement of profit or loss and other comprehensive income, the condensed statement of changes in equity and the condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

(a) giving a true and fair view of the company's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with

Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

HLB Mann Judd
Chartered Accountants

N G Neill
Partner

Perth, Western Australia
21 February 2020