

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 2021

Previous Corresponding Period: 31 December 2020

For and on behalf of the Directors



DAVID JAMES RICH
COMPANY SECRETARY

Dated: 21 February 2022

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Revenue and Net Profit (Loss)				AUD \$'000's
Revenue from ordinary activities	down	7.4%	to	26,297
Profit/ (Loss) from ordinary activities	down	89.0%	to	330
Net Profit/ (Loss) for the period attributable to members	down	89.0%	to	330

Dividends

On 21 September 2021, the Company paid a final unfranked ordinary dividend in respect to the financial year ended 30 June 2021 of \$585,000 representing a payment of \$0.0045 per share.

The Directors have declared an unfranked interim dividend in respect to the 30 June 2022 year of \$95,000 representing approximately 30% of Net Profit After Tax and \$0.0007 per share with the following relevant details:

Date the dividend is payable	19 April 2022
Record date to determine entitlement to the dividend	9 March 2022
Amount per security	\$0.0007
Total dividend	\$95,000
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 an operating and financial review for the period ended 31 December 2021.

NET TANGIBLE ASSET BACKING

	31 Dec 2021 \$'000's	31 Dec 2020 \$'000's
Net Assets / (Liabilities)	42,749	35,265
Less intangible assets	(17,141)	(14,132)
Net tangible assets of the Company ¹	25,608	21,133
Fully paid ordinary shares on issue at Balance Date	135,719,452	130,000,000
Net tangible asset backing per issued ordinary share as at Balance Date	18.87c	16.26c

¹ Net tangible assets include right-of-use-assets of \$11,334,144 and lease liabilities of \$12,225,391.

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 2021



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CORPORATE DIRECTORY

Directors

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

Company Secretary

Mr David Rich

Registered Office

22 Baile Rd
Canning Vale WA 6155
Telephone: +61 8 9455 9355

Website

www.veem.com.au

Share Registry

Computershare Investor Services Pty Ltd
Level 11
172 St Georges Terrace,
PERTH WA 6000
Telephone: + 618 9323 2000
Facsimile: + 618 9323 2033

Auditors

HLB Mann Judd (WA) Partnership
Level 4
130 Stirling Street
Perth WA 6000 Australia
Telephone: +618 9227 7500
Facsimile: +618 9227 7533

Stock Exchange

Australian Securities Exchange
(Home Exchange: Perth, WA)

ASX Code

VEE



DIRECTORS' REPORT

The Directors submit the financial report of VEEM Ltd ("the Company") for the half-year ended 31 December 2021. 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 Mioceвич	Non-Executive Chairman
Mark Mioceвич	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 2021 was \$330,441 (31 December 2020: \$2,995,201).

Dividends

On 21 September 2021 the Company paid a final unfranked ordinary dividend in respect to the financial year ended 30 June 2021 of \$585,000 representing \$0.0045 per share (2020: \$292,500 unfranked).

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.

OPERATING AND FINANCIAL REVIEW

Total Revenue for the first half of the 2022 financial year was \$26.3 million, down 7% from the prior corresponding period (2021: \$28.4m). Earnings before interest, tax, depreciation and amortisation (EBITDA) was \$2.9 million (2021: 5.7m) and net profit after tax was \$0.3m (2021: \$3.0m). As foreshadowed at the Company's annual general meeting (AGM), there were a number of factors that impacted the results for the first half of the 2022 financial year and these are set out below.

Like many businesses, VEEM has been and continues to be competing for staff in a very tight labour market. This has meant that we have been unable to recruit as many skilled trades as we desire, constraining capacity (production hours) and increasing costs through overtime and higher wages.

Raw materials price increases have eroded margins, particularly the bronze (copper and nickel) used for propellers where a fixed price list exists. As price rises can only apply on new orders, the impact on sales and margins of these input cost increases is felt for several months in the financial results until the price rise takes effect. VEEM has been active in continually looking for, and has now been successful in finding, sources of supply globally in order to improve margins and lower the risks of its supply chain. VEEM has also been impacted by increases in freight costs and shipping times which impact margins and the price rises have also sought to cover this.

There have also been a number of indirect impacts of COVID-19 on VEEM. These include delays in the receipt and installation of new machinery (and hence capacity) due to supplier staff shortages resulting from border closures. Overseas we have seen delays in European boatbuilding leading to delays in purchases, installations and commissioning of gyros. This then leads to delays in repeat business and customer recommendations which are key drivers to increasing the sales of VEEM's large gyros. One clear example of this is the 12 month delay in the product launch of Damen's new walk to work vessel, the FCS 7011. This vessel has a VG520SD (previously called a VG1000SD) as a key stabilising component and VEEM is very excited about the potential for this vessel which is now expected to have its global gala launch in the Netherlands in the next few weeks.

There was a rare event of an increase in defective propeller castings that occurred in the second quarter of the FY that had the double impact of additional cost and reduced capacity for new orders thus reducing sales. The causes were addressed and propeller casting quality is now back to previous levels.

Revenue from gyro stabilisers was \$1.6m for the period. Production continued at a steady rate with the inventory value of complete gyros and work in progress increasing by \$3m to \$6m. The volume and quality of leads and recent orders provides confidence to expect 2H FY22 orders and sales to be up on FY21 sales and escalating into FY23. Of the 44 gyros sold and delivered to date, there are 17 not yet commissioned, demonstrating the lead times that can occur between VEEM delivering the gyro and the owner experiencing the benefits and spreading the word or ordering another in the case of commercial vessels. As sales grow this lag will become less of an issue. As VEEM continues to build gyros to a plan, it is able to sell from inventory which is proving popular with customers, particularly in the retrofit market.



Significant personnel moves were made during the period in relation to gyrostabilisers with the addition of a senior production manager, Head of Sales and Business Development - Europe and an after sales and service supervisor in the US. The addition of staff in the very large European market in particular is a key step forward in the drive to increase sales of VEEM gyrostabilisers. The continuing maturation of marketing, sales, production, engineering and procurement places VEEM in a very strong position going forward.

Propulsion sales were higher than the prior comparative period and the previous six months as a result of the increased capacity generated through new machines and improved processes. Delays in the arrival and commissioning of the two new machines and the issues raised above held back the revenue growth and margins somewhat in what is a very strong global market for leisure marine products. Price rises were implemented during the period and the full effect of these will flow in to the next six months.

Defence sales to Austal and ASC were both down significantly on prior periods as expected. Deliveries to ASC under the new full cycle docking program are set to commence in April 2022 and work was commenced on these during the period. There were ongoing spares sales to ASC during the period. The last of the LCS work for Austal was completed during the period with only a small amount still to be invoiced in 2022. Other work is ongoing for Austal and new work is being quoted, but is not expected to reach the levels of the LCS ride control work over the last 14 years. Other defence work was steady during the period.

Engineering products and services revenue was up on both the prior comparative period and the prior six months. Demand generally for foundry-led, precision engineered products remains strong. Hollow bar was up on the prior comparative period, but lower than the six months to 30 June 2021 showing that the market for this product is still in its infancy and has some education required to reinforce the commercial and safety benefits of the product over the long term. Margins in this area were impacted by the labour issues raised above.

VEEM continued to invest in research and development during the period with a number of staff involved in developing a smaller gyro model and improvements to the current gyro range as well as projects related to the engineering and propulsion businesses.

The Company held cash on hand of \$4.6m at 31 December 2021 (30 June 2021: \$2.2m) and has an undrawn overdraft facility of \$3.4m.

During the period VEEM raised \$6.4m (net of costs) through the issue of 5,719,452 new shares as set out below. These two share issues took the Company's ordinary fully paid shares on issue to 135,719,452 (30 June 2021: 130,000,000). The funds raised are being used for research and development, sales and marketing to drive gyro sales growth and working capital.

- On 16 September 2021 the Company issued 5,084,746 new ordinary fully paid shares at \$1.18 to institutional and sophisticated investors. Further details of the capital raising are set out in the ASX announcement on 13 September 2021.
- On 13 October 2021 the Company issued a further 634,706 new ordinary fully paid shares at \$1.18 to existing shareholders under a Share Placement Plan which was also announced on 13 September 2021.

Outlook

Overall the Board is confident the Company is in a strong position going forward with an existing robust core business which has allowed it to invest and support the focus on driving the growth of the disruptive VEEM Gyro product into the global marine market.

The gyrostabilizer product is still in the early stages of its life cycle, with VEEM holding a dominant position as the only major supplier in the large marine gyrostabiliser market estimated at US\$1.1bn for new builds and US\$13.5bn for retrofits (current fleet). VEEM's significant investment to date and ongoing development now provides major barriers to entry for potential competitors. VEEM is seeking to exploit this by driving sales growth and taking its robust technology into smaller frames where it can compete against the small recreational gyrostabilisers on the market.

With the new senior staff now on board, more customers experiencing the benefits of the gyro and the quality and quantity of leads coming from many areas of the marine industry, VEEM is confident that the gyro revenue will escalate significantly over the coming months and years.

The global demand for propellers is expected to remain strong and VEEM has already increased its manufacturing capacity in January 2022 with another new machining centre arriving. Three additional smaller machines have been ordered for late 2022. VEEM expects sales of propellers to increase in line with capacity and also be boosted by price rises which are required due to rising raw material prices.

VEEM's defence revenue is expected to remain strong with the deliveries under the upcoming Collins Class submarine full cycle docking commencing in April 2022. Other defence work for a number of different prime contractors is also expected to continue. VEEM is active and well positioned to take advantage of further defence work that may result from the current federal government drive for increased local content, including opportunities arising out of AUKUS.



The traditional engineering products and services business continues to underpin VEEM's operations, revenue and profit and is expected to continue. Revenue over the next period will likely be similar to the first half with labour constraints holding back growth. Price rises are expected to restore margins that were eroded in the first half due to rising costs.

For a number of years, as part of its research and development program, VEEM has been using its knowledge of induction heating technology to work with a local Perth liver surgeon in building a small prototype for the treatment of liver cancer. VEEM expects to test the prototype over the next few months. Success would be a significant step toward a treatment for a disease that claims a million lives a year globally. Although outside its core business, VEEM is proud to be able to use its knowledge and experience to help humanity overcome this disease.

The Board expects the recent challenges of a tight labour market, rising raw materials and freight costs, freight and supplier uncertainty and COVID-related issues to continue and VEEM has in place plans to deal with these where issues can be foreseen and VEEM has some degree of control.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 21 February 2022, the Directors declared an unfranked interim dividend in respect to the 30 June 2022 year of \$95,000 representing approximately 30% of the Net Profit After Tax and 0.07 cents per share.

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

AUDITOR INDEPENDENCE DECLARATION

Section 307C of 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 5 and forms part of this directors' report for the half-year ended 31 December 2021.

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.

A handwritten signature in black ink, appearing to read 'B. Miocevich'.

Brad Miocevich
Chairman
Perth, Western Australia
21 February 2022

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of VEEM Ltd for the half-year ended 31 December 2021, 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
21 February 2022



N G Neill
Partner

hlb.com.au

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

Level 4, 130 Stirling Street, Perth WA 6000 / PO Box 8124 Perth BC WA 6849

T: +61 (0)8 9227 7500 **E:** mailbox@hlbwa.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

HLB Mann Judd (WA Partnership) is a member of HLB International, the global advisory and accounting network.



Condensed Statement of Profit or Loss and Other Comprehensive Income for the half-year ended 31 December 2021

	Note	31 December 2021 \$	31 December 2020 \$
Revenue	4	26,297,335	28,384,486
Other income	4	174,821	1,606,213
Changes in inventories of finished goods and work in progress		3,763,189	3,055,865
Raw materials and consumables		(13,413,155)	(13,895,593)
Employee benefits expense		(11,844,283)	(10,593,927)
Depreciation and amortisation expense		(2,268,371)	(1,858,414)
Repairs and maintenance expense		(748,528)	(983,608)
Occupancy expense		(600,783)	(598,441)
Borrowing costs expense		(318,570)	(378,372)
Other expenses	5	(767,903)	(1,256,698)
Profit before income tax		273,752	3,481,511
Income tax benefit/(expense)		56,689	(486,310)
Profit after income tax		330,441	2,995,201
Other comprehensive income, net of income tax		-	-
Total comprehensive income for the half-year		330,441	2,995,201
Earnings per share			
Basic earnings per share (cents)		0.24	2.30
Diluted earnings per share (cents)		0.24	2.30

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 2021

	Note	31 December 2021 \$	30 June 2021 \$
ASSETS			
Current Assets			
Cash and cash equivalents		4,623,366	2,233,076
Trade and other receivables		8,156,288	9,820,535
Inventories	6	15,442,099	12,992,181
Current tax assets		443,482	522,162
Derivative asset	7	38,396	-
Other assets	8	2,798,657	2,682,958
Total Current Assets		31,502,288	28,250,912
Non-Current Assets			
Property, plant and equipment	9	14,808,803	12,917,940
Intangible assets	10	17,141,037	15,705,046
Right-of-use assets		11,334,144	12,108,464
Deferred tax assets		2,212,686	1,301,610
Total Non-Current Assets		45,496,670	42,033,060
Total Assets		76,998,958	70,283,972
LIABILITIES			
Current Liabilities			
Trade and other payables	11	7,376,741	7,494,592
Provisions		1,653,606	1,842,135
Borrowings – current	12	1,748,857	1,469,153
Lease liabilities - current		1,364,140	1,312,232
Total Current Liabilities		12,143,344	12,118,112
Non-Current Liabilities			
Borrowings – non current	12	6,259,750	5,701,585
Provisions		100,929	154,135
Lease liabilities – non current		10,861,251	11,558,461
Deferred tax liabilities		4,884,601	4,129,227
Total Non-Current liabilities		22,106,531	21,543,408
Total Liabilities		34,249,875	33,661,520
Net Assets		42,749,083	36,622,452
EQUITY			
Issued capital	13	11,509,613	5,140,616
Reserves	14	12,193	-
Retained earnings		31,227,277	31,481,836
Total Equity		42,749,083	36,622,452

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 2021

	Note	31 December 2021 \$	31 December 2020 \$
Cash flows from operating activities			
Receipts from customers		28,065,792	30,665,073
Payments to suppliers and employees		(26,877,588)	(28,171,952)
Government subsidies received		38,506	2,188,807
Interest paid		(318,570)	(378,372)
Interest received		82	2,850
Income tax received/(paid)		(20,333)	466,286
Net GST paid		284,158	(1,024,906)
Net cash flows provided by operating activities		1,172,047	3,747,786
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,665,223)	(166,264)
Proceeds from sale of property plant & equipment		118,215	6,787
Purchase of intangible assets		(1,595,047)	(1,065,249)
Net cash flows used in investing activities		(3,142,055)	(1,224,726)
Cash flows from financing activities			
Dividends paid	17	(585,000)	(292,500)
Repayments of borrowings		(600,000)	(300,000)
Payments of hire purchase liabilities		(227,754)	(704,841)
Payments of lease liabilities		(645,302)	(623,450)
Net proceeds from issue of shares		6,368,997	-
Net cash flows provided by / (used in) financing activities		4,310,941	(1,920,791)
Net increase in cash and cash equivalents		2,340,933	602,269
Cash at the beginning of the period, net of overdraft		2,233,076	3,618,166
Effects of exchange rate fluctuations on cash held		49,357	(92,388)
Cash and cash equivalents at the end of the period, net of overdraft		4,623,366	4,128,047
Components of cash			
Cash at bank		4,623,366	4,128,047
Bank overdraft		-	-
		4,623,366	4,128,047

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 2021

	Note	Issued Capital \$	Reserves \$	Retained earnings \$	Total \$
At 1 July 2021		5,140,616	-	31,481,836	36,622,452
Profit for the half-year		-	-	330,441	330,441
Other comprehensive income		-	-	-	-
Total comprehensive income for the half-year		-	-	330,441	330,441
Shares issued during the year		6,749,000	-	-	6,749,000
Share issue costs		(380,003)	-	-	(380,003)
Share-based payment expense recognised		-	12,193	-	12,193
Dividends paid	17	-	-	(585,000)	(585,000)
Balance at 31 December 2021		11,509,613	12,193	31,227,277	42,749,083

	Note	Issued Capital \$	Reserves \$	Retained earnings \$	Total \$
At 1 July 2020		5,140,616	-	27,422,161	32,562,777
Profit for the half-year		-	-	2,995,201	2,995,201
Other comprehensive income		-	-	-	-
Total comprehensive income for the half-year		-	-	2,995,201	2,995,201
Dividends paid	17	-	-	(292,500)	(292,500)
Balance at 31 December 2020		5,140,616	-	30,124,862	35,265,478

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 2021

1. Corporate

The half-year financial report of VEEM Ltd ("the Company") for the half-year ended 31 December 2021 was authorised for issue on 21 February 2022 in accordance with a resolution of the Directors on 21 February 2022.

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 2021 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 2021 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 2021

In the half-year ended 31 December 2021, 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 reporting periods beginning on or after 1 July 2021 and none of these were considered to have a material impact on the Company. Therefore, no change is necessary to the Company's accounting policies.

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 2021. 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 2021.



Notes to the Condensed Financial Statements for the half-year ended 31 December 2021

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.

The Company has one customer where the revenue was in excess of 10% of the Company's revenue. The customer generated 19% (2020: 16%) of the Company's revenue for the half-year.

Although the Company is managed as a single business segment, sales revenue of \$26,297,335 (December 2020: \$28,384,486) can be broken down into the following sales categories. Propulsion and stabilization consist of the manufacture of new propellers, shaft lines, gyro stabilizers and marine ride control fins. The sales in this category were \$15,587,064 (December 2020: \$15,009,384). Defence related sales for HY2022 totalled \$6,807,188 (December 2020: \$11,173,984) with \$3,469,943 (December 2020: \$3,797,602) of those sales being both within the defence and propulsion/stabilization categories. Sales of engineering products and services (non-defence) for the period were \$7,373,026 (December 2020: \$5,998,720).

4. Revenue

Revenue from contracts with customers

	6 months to 31 December 2021 \$	6 months to 31 December 2020 \$
Sales revenue		
• Revenue – point in time	2,025,281	2,683,019
• Revenue – over time	24,272,054	25,701,467
	<u>26,297,335</u>	<u>28,384,486</u>
Other revenue		
• Government subsidies – JobKeeper & Cash flow boost	-	1,587,261
• Government subsidies – Manufacturing Modernisation Fund	38,506	-
• Apprentice subsidies	117,312	4,112
• Interest received	82	2,850
• Commissions received	607	637
• Scrap metal	18,314	11,353
	<u>174,821</u>	<u>1,606,213</u>

5. Other Expenses

Foreign exchange (losses)/gains (net)	87,202	(417,836)
Insurance	(224,250)	(241,831)
Advertising, marketing and travel expense	139,490	116,736
Other general expenses	(491,365)	(480,295)
	<u>(767,903)</u>	<u>(1,256,698)</u>



Notes to the Condensed Financial Statements for the half-year ended 31 December 2021

6. Inventories

	31 December 2021	30 June 2021
	\$	\$
Work in progress – over time	5,842,098	8,451,146
Work in progress – point in time	2,545,694	711,362
	8,387,792	9,162,508
Less: Progress billings	(6,934,411)	(8,263,159)
	1,453,381	899,349
Goods for resale, raw materials and stores	13,988,718	12,092,832
	15,442,099	12,992,181

7. Financial and Risk Management

Foreign exchange risk

The Company's foreign exchange risk management strategy remains as set out in Note 19 of the annual financial statements for the year ended 30 June 2021. During the half-year to 31 December 2021 the Board adopted a policy of hedging net foreign currency exposures using forward contracts. As at 31 December 2021 there were forward exchange contracts in place for USD 2,363,598 (30 June 2021: Nil). For fair value hedges, any gain or loss from remeasuring the hedging instrument at fair value is adjusted against the carrying amount of the hedged item and recognised in profit or loss.

8. Other Assets

	31 December 2021	30 June 2021
	\$	\$
Prepayments	695,843	499,266
Suppliers paid in advance	2,102,814	2,183,692
	2,798,657	2,682,958

9. Property, Plant and Equipment

	Plant and Equipment	Motor Vehicles	Capital Work in Progress	Computer Equipment	Total
	\$	\$	\$	\$	\$
As at 30 June 2021					
Cost	37,976,862	714,300	213,741	1,725,215	40,630,118
Accumulated depreciation	(25,769,982)	(528,156)	-	(1,414,040)	(27,712,178)
Closing carrying amount	12,206,880	186,144	213,741	311,175	12,917,940
Half-year ended 31 December 2021					
Opening carrying amount	12,206,880	186,144	213,741	311,175	12,917,940
Additions	1,705,411	-	1,052,493	89,187	2,847,091
Disposals	(52,811)	(14,215)	-	(37,961)	(104,987)
Depreciation and amortisation charge	(783,894)	(14,635)	-	(52,712)	(851,241)
Closing carrying amount	13,075,586	157,294	1,266,234	309,689	14,808,803
As at 31 December 2021					
Cost	39,488,918	662,767	1,266,234	1,774,252	43,192,171
Accumulated Depreciation	(26,413,332)	(505,473)	-	(1,464,563)	(28,383,368)
Carrying amount	13,075,586	157,294	1,266,234	309,689	14,808,803



Notes to the Condensed Financial Statements for the half-year ended 31 December 2021

10. Intangible Assets

	Other Intellectual Property	Product Development	Total
	\$	\$	\$
As at 30 June 2021			
Cost	946,425	16,693,904	17,640,329
Accumulated amortisation	(540,464)	(1,394,819)	(1,935,283)
Closing carrying amount	405,961	15,299,085	15,705,046
Half-year ended 31 December 2021			
Opening carrying amount	405,961	15,299,085	15,705,046
Additions	-	2,078,801	2,078,801
Amortisation	(86,488)	(556,322)	(642,810)
Closing carrying amount	319,473	16,821,564	17,141,037
As at 31 December 2021			
Cost	946,425	18,772,705	19,719,130
Accumulated amortisation	(626,952)	(1,951,141)	(2,578,093)
Carrying amount	319,473	16,821,564	17,141,037

11. Trade and Other Payables

	31 December 2021	30 June 2021
	\$	\$
Trade payables (i)	4,200,867	4,326,074
Annual leave payable	1,999,801	1,790,447
GST payable	238,421	296,376
Other creditors	937,652	1,081,695
	7,376,741	7,494,592

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

12. Borrowings

	31 December 2021	30 June 2021
	\$	\$
<i>Current</i>		
Commercial facility (a)	1,200,000	1,200,000
Hire purchase liability	608,141	295,552
Less: Unexpired charges	(59,284)	(26,399)
	1,748,857	1,469,153
<i>Non-current</i>		
Commercial facility (a)	4,700,000	5,300,000
Hire purchase liability	1,640,711	423,735
Less: Unexpired charges	(80,961)	(22,151)
	6,259,750	5,701,584



Notes to the Condensed Financial Statements for the half-year ended 31 December 2021

a) The Company has a Commercial Facility with a limit of \$5,900,000. The Commercial Facility is repayable by 1 July 2023. \$100,000 of principal is payable each calendar month with the remaining facility amount owing payable on the expiry date. The loan facility is reduced by the principal component of each repayment. Interest at the base rate plus 1.95% 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 at 1.37% (June 2021: 2.01%). The facility is reviewed on an annual basis. At 31 December 2021, the Company had no available undrawn committed borrowing facilities under the Commercial Facility in respect of which all conditions precedent had been met (2020: nil).

The Company has an Overdraft Facility with a limit of \$3,400,000. Interest at the base rate less 0.75% per annum is charged monthly on the drawn amount. The facility is reviewed on an annual basis. At 31 December 2021 the Company had available \$3,400,000 (June 2021: \$3,400,000) of undrawn overdraft facilities. In addition, there is an Electronic Payment Facility with a limit of \$300,000. At 31 December 2021, 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 excluding those financed under Hire Purchase agreements.

Financing facilities available

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

	31 December 2021	30 June 2021
	\$	\$
Total facilities		
• Overdraft Facility	3,400,000	3,400,000
• Commercial Facility	5,900,000	6,500,000
• Electronic Payments Facility	300,000	300,000
• Commercial Card Facility	50,000	50,000
	9,650,000	10,250,000
Facilities used at balance date		
• Overdraft Facility	-	-
• Commercial Facility	5,900,000	6,500,000
• Commercial Card Facility	19,332	47,969
	5,919,332	6,547,969
Facilities unused at balance date		
• Overdraft Facility	3,400,000	3,400,000
• Commercial Facility	-	-
• Electronic Payments Facility	300,000	300,000
• Commercial Card Facility	30,668	2,031
	3,730,668	3,702,031
Total facilities		
• Facilities used at balance date	5,919,332	6,547,969
• Facilities unused at balance date	3,730,668	3,702,031
	9,650,000	10,250,000

The carrying value of plant and equipment held under hire purchase contracts at 31 December 2021 is \$2,108,607 (June 2021: \$670,738). Additions during the year include \$1,665,623 (June 2021: \$202,944) of plant and equipment held under hire purchase contracts.



Notes to the Condensed Financial Statements for the half-year ended 31 December 2021

13. Issued Capital

(a) Issued and paid up capital

	31 December 2021 \$	30 June 2021 \$
Ordinary shares fully paid	11,509,613	5,140,616

On 16 September 2021 the Company issued 5,084,746 new ordinary fully paid shares at \$1.18 to institutional and sophisticated investors. Further details of the capital raising are set out in the ASX announcement on 13 September 2021. On 13 October 2021 the Company issued a further 634,706 new ordinary fully paid shares at \$1.18 to existing shareholders under a Share Placement Plan which was also announced on 13 September 2021. These two share issues took the Company's ordinary fully paid shares on issue to 135,719,452 (30 June 2021: 130,000,000). The movement in the issued capital balance reflects the proceeds from the above two issues, net of the costs of the issues of \$380,003.

(b) Movements in ordinary shares on issue

	6 months to 31 December 2021		Year to 30 June 2021	
	No.	\$	No.	\$
<i>Movements in ordinary shares on issue</i>				
Opening balance	130,000,000	5,140,616	130,000,000	5,140,616
Issue of shares	5,719,452	6,368,997	-	-
Closing balance	135,719,452	11,509,613	130,000,000	5,140,616

14. Share-based Payment Reserve

This comprises the cumulative share-based payment expense recognised in the Statement of Profit or Loss and Other Comprehensive Income in relation to equity-settled options and share rights issued but not yet exercised.

The fair value of share rights subject to a market condition is determined at grant date using a trinomial valuation model. The values calculated do not take into account the probability of rights being forfeited prior to vesting, as VEEM Ltd revises its estimate of the number of share rights expected to vest at each reporting date.

Grant date	Vesting date	Expiry date	Beneficiary	Balance at 1 July	Granted during period	Exercised during period	Forfeited / lapsed during period	Balance 31 December
6 Jul 2021	6 Jul 2022	6 Aug 2024	D Rich	-	50,000	-	-	50,000
6 Jul 2021	6 Jul 2023	6 Aug 2024	D Rich	-	50,000	-	-	50,000
6 Jul 2021	6 Jul 2024	6 Aug 2024	D Rich	-	50,000	-	-	50,000

The share rights will vest on or after the vesting date upon the 30-day Volume Weighted Share Price of the company being \$1.50, \$2.00, \$2.50 for tranches 1-3 respectively provided the beneficiary is still employed by the Company. All share rights have an accelerated vesting condition on a change of control event at any time up to expiry.



Notes to the Condensed Financial Statements for the half-year ended 31 December 2021

14. Share-based Payment Reserve (continued)

Valuation assumptions	Tranche 1	Tranche 2	Tranche 3
Valuation Date	6-Jul-21	6-Jul-21	6-Jul-21
Spot Price (\$)	\$1.34	\$1.34	\$1.34
Exercise Price (\$)	nil	nil	nil
Expected future volatility (%)	50.14%	50.14%	50.14%
Risk free rate (%)	0.19%	0.19%	0.19%
Dividend yield (%)	1%	1%	1%
Fair value per right	\$0.632	\$0.49	\$0.382

15. Contingent Liabilities & Commitments

	31 December 2021 \$	30 June 2021 \$
Hire purchase commitments payable		
- within one year	608,141	295,552
- after one year but not more than five years	1,640,711	423,735
Minimum hire purchase payments	2,248,852	719,287
Less: Unexpired charges	(140,245)	(48,550)
Present value of hire purchase payments	2,108,607	670,737
Represented by:		
Current	548,857	269,153
Non-current	1,559,750	401,584
	2,108,607	670,737

Capital commitments

At 31 December 2021 the Company had \$3,484,123 of capital commitments (June 2021: \$3,972,965) which it expects to finance through hire purchase arrangements.

16. Subsequent Events

On 21 February 2022, the Directors declared an unfranked interim dividend in respect to the 30 June 2022 year of \$95,000 representing approximately 30% of the Net Profit After Tax and 0.07 cents per share.

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

17. Dividends

	6 months to 31 December 2021 \$	6 months to 31 December 2020 \$
Unfranked dividends paid	585,000	292,500

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.

There is a derivative asset of \$38,396 (30 June 2021: Nil) recorded in relation to these forward exchange contracts recorded at fair value, the fair value is a Level 2 input in the fair value hierarchy.



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 2021 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.

A handwritten signature in black ink, appearing to read "B. Miocevich", with a stylized flourish at the end.

Brad Miocevich
Chairman
Perth, Western Australia
21 February 2022

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 2021, 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 does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the entity's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's responsibilities for the review of the financial report* section of our report. We are independent of the company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of the directors for the 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 for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 entity's financial position as at 31 December 2021 and

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

Level 4, 130 Stirling Street, Perth WA 6000 / PO Box 8124 Perth BC WA 6849

T: +61 (0)8 9227 7500 **E:** mailbox@hlbwa.com.au

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its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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



HLB Mann Judd
Chartered Accountants

Perth, Western Australia
21 February 2022



N G Neill
Partner