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# ANNUAL REPORT 2022



VEEM LTD  
ACN 008 944 009

# CORPORATE INFORMATION

ABN 51 008 944 009

## DIRECTORS

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

## COMPANY SECRETARY

David Rich

## REGISTERED OFFICE

22 Baile Road  
CANNING VALE WA 6155

Telephone:  
+ 61 8 9455 9355

## PRINCIPAL PLACE OF BUSINESS

22 Baile Road  
Canning Vale, WA 6155

Telephone:  
+ 61 8 9455 9355

## SHARE REGISTRY

Computershare Investor  
Services Pty Ltd  
Level 11, 172 St Georges Terrace  
PERTH WA 6000

Telephone:  
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Facsimile:  
+ 61 8 9323 2033

## SOLICITORS

Steinpreis Paganin  
Level 4, The Read Buildings  
16 Milligan Street  
PERTH WA 6000

Telephone:  
+61 8 9321 4000

Facsimile:  
+ 61 8 9321 4333

## BANKERS

ANZ Banking Corporation  
Level 7, 77 St Georges Terrace  
PERTH WA 6000

Telephone:  
+61 8 6298 3987

## AUDITORS

HLB Mann Judd  
Level 4, 130 Stirling Street  
PERTH WA 6000

Telephone:  
+61 8 9227 7500

## SECURITIES EXCHANGE LISTING

VEEM Ltd shares are listed  
on the Australian Securities  
Exchange (ASX: VEE)



# CONTENTS

Chairman's Letter	02
Directors' Report	04
Auditor's Independence Declaration	18
Statement of Profit or Loss and Other Comprehensive Income	19
Statement of Financial Position	20
Statement of Changes in Equity	21
Statement of Cash Flows	22
Notes to the Financial Statements	23
Directors' Declaration	58
Independent Auditor's Report	59
Shareholder information	64



# CHAIRMAN'S LETTER

Dear Shareholders,

It is my pleasure to present to you the 2022 VEEM Limited Annual Report. The year saw the Company presented with a number of challenges which the Board firmly believes have been met, learnt from and permanent changes embedded into our systems and procedures.

While the profit for FY22 was down on the prior year, VEEM's results over the past few months have provided us with confidence the worst is behind us and we have every reason to be excited about the future.

Like many companies, VEEM was impacted by COVID-19 throughout the year in many ways. Directly we had many staff contract the virus leading to high levels of sick leave and lower productive hours. Indirectly we saw significant supply chain cost increases and freight reliability was impacted.

As I have outlined in previous years, we view continuous improvement, and research and development in particular, critical to the future sustainable profitability of VEEM. In FY22 VEEM invested \$2.7 million in research and development with the majority of this spent on our own marine products – gyrostabilizers and propellers.

We continued to work hard on maintaining our dominant position as the pre-eminent provider of large gyrostabilizers. We improved our product, our after-sales capability and boosted our sales and marketing team by adding a very experienced Head of Sales and Business Development for Europe, based in the Netherlands.

While we sold the same number of gyrostabilizers as the prior year, revenue was lower due to the mix of units sold. Delays in the marketing of the flagship Damen offshore walk to work vessel, the Aqua Helix FCS 7011, from 2021 to 2022 meant that the key promotional reference point for our large VG520SD gyrostabilizer had no influence on sales for FY22. The Aqua Helix is now turning heads as a revolutionary concept and we are excited by the interest generated around the VG520SD since its release.

VEEM's propellers have been recognised globally as the premium fixed-pitch propeller product for over a decade now. This year saw the continuation of the very strong global recreational boating market from the prior year. VEEM's sales increased 26% to \$20 million with the addition of two new machines and price rises required to cover the increasing raw materials and freight charges.



**Figures 1 & 2:** The Damen FCS 7011 vessel "Aqua Helix", featuring the VEEM Marine VG520SD gyrostabilizer, won the Offshore Energy Vessel of the Year award in June 2022. This revolutionary "walk to work" vessel is capable of continuously sailing at speeds of up to 40 knots to enable short transit times.

We have three new machining centers arriving later this year which will boost our capacity even further so we expect FY23 to be a very strong year for propulsion.

Our defence business remains a reliable, profitable income stream with the commencement of deliveries for the current submarine refit contract with ASC occurring in FY22.

Defence will continue to be an ongoing key area for VEEM with the balance of the current submarine refit contract plus a number of other orders being delivered in FY23. In addition to this we have ongoing work with Austal Ships and others.



I am proud to be able to say we were one of only a select few manufacturers globally who were able to complete the pilot propeller project for the BAE Hunter Class Type 26 Frigate. This qualifies us for the second stage which we expect to receive later this year. This further proves our capability as a defence contractor for precision engineered components, not just in Australia, but internationally.

Once again our engineering products and services business was a solid contributor to revenue and profit as well as providing in-house innovation, capability and support for the marine and defence businesses.

The Board is confident the Company is now very well positioned to grow its marine products business, and gyro stabilizers in particular, while being able to handle the continuing challenges of doing business globally.

During the year we took our VEEM Marine demonstration vessel, a 64' Viking convertible called "PowerPlay", to the east coast of Australia where we participated in a number of shows and conferences and provided industry demonstrations. In addition, we took the opportunity to provide all investors and potential investors the opportunity to join us for a demonstration in the major cities and it was a pleasure meeting so many shareholders and witnessing their joy cruising at 40 knots and their surprise at feeling the significant impact when the gyro stabilizer was turned off and on. There is no better way to appreciate the fundamental impact a gyro can have on the stability of a vessel than by experiencing it. We will do more of these demonstrations in the future and I encourage all shareholders to attend if they haven't yet done so.

Finally, I would like to thank all staff and directors for their efforts during what was a challenging year. In particular staff shortages and COVID absences meant many staff worked overtime in order to meet requirements and this is very much appreciated.



**Brad Miocevich**  
Non-Executive Chairman



**Figure 3:** During the year VEEM took its Viking 64' test and demonstration boat "PowerPlay" to the east coast of Australia for a number of industry events and demonstrations.

# DIRECTORS' REPORT

The Directors present their report together with the financial statements of the Company for the financial year ended 30 June 2022. 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 year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.



**Figure 4:** MY Abydos and it's VEEM Superyacht series props before leaving the Venture Yachts shipyard.

## NON-EXECUTIVE CHAIRMAN

**Mr John Bradley Miocevic**  
B.Comm, FAICD

Brad has been a Director of VEEM Ltd since 1983. Combining trade qualifications with a Commerce Degree in Finance and Banking, Brad has the unique skills suitable for the management of an engineering company. With a focus on strategic planning, he was a member of the team responsible for the acquisition of several companies over the past 24 years including S&S Foundry & Engineering and Timcast Foundry and Engineering. Taking on the role of Director Marine Propulsion in 2000, he has been the driving force in creating VEEM's now very successful international propeller business. Brad provided the vision for VEEM's highly automated manufacturing processes making VEEM the benchmark of propeller manufacturing worldwide. Brad brings to the Board expertise in finance, manufacturing engineering and marketing along with practical knowledge of the Company and its markets.

In the 3 years immediately before the end of the financial year, Brad has not served as a Director of any other listed company.

## MANAGING DIRECTOR

**Mr Mark David Miocevic**  
B.App.Sc (Mech Eng) FIE Aust

Mark has been a director and senior manager of VEEM for over 39 years. Commencing as Production Director from 1983 and until 1995 he was responsible for the implementation of the Quality Assurance systems in 1987, the integration of S&S Foundry & Engineering into the company in 1989, and defining the Company management model based on the Australian Business Excellence framework guideline in 1994. From 1995 until present he has been the Managing Director of VEEM and for a period during that time, the Managing Director of GA Perry and a Director of Thomassen Services Australia. He was responsible for the integration of Timcast Foundry and Engineering into VEEM during 2002. He brings to the Board intimate knowledge of the Company, its systems and strategic plan.

In the 3 years immediately before the end of the financial year, Mark has not served as a Director of any other listed company.

#### NON-EXECUTIVE DIRECTOR

**Mr Ian Henry Barsden**  
CA

Ian is a member of the Chartered Accountants Australia and New Zealand and is a former partner of a mid-tier accounting firm. Ian brings over 33 years' experience in the accounting profession, advising and consulting to a wide variety of businesses and industries as to business structuring, taxation and financial management. Ian has provided advisory services to VEEM as a consultant since 1980.

In the 3 years immediately before the end of the financial year, Ian has not served as a Director of any other listed company.

#### INDEPENDENT NON-EXECUTIVE DIRECTOR

**Mr Peter Patrick Torre**  
B.Bus (Accounting), CA, AGIA

Peter was appointed as a Director of the Company on 12 April 2018. He is a Chartered Accountant, a Chartered Secretary and a member of the Australian Institute of Company Directors. He was previously a partner of an internationally affiliated firm of Chartered Accountants. Peter is the Company Secretary of several ASX listed companies. Peter is the principal of Torre Corporate, a specialist corporate advisory firm providing corporate secretarial services to a range of listed companies. Peter served as Company Secretary of the Company from September 2016 to November 2019.

In the 3 years immediately before the end of the financial year, Peter has served as a Director of Mineral Commodities Ltd (1 April 2010 to 13 September 2021), Volt Power Group Limited (28 April 2017 to present), Zenith Energy Limited (7 March 2019 to 28 August 2020) and Connexion Telematics Ltd (2 October 2020 to 17 November 2021).

#### INDEPENDENT NON-EXECUTIVE DIRECTOR

**Mr Michael Robert Bailey**  
MSc; CEng; MRINA

Mike brings 50 years' experience in areas of naval architecture, marine engineering, and project and company management. He has operated in the defence and offshore oil and gas sectors in Europe, Asia and Australia with multinational and private companies and as a consultant. Mike also held the Business Development role in VEEM Engineering in the 1990's. He has, since 2000, been instrumental in the establishment and operations of the highly successful Australian Marine Complex - Common User Facility.

In the 3 years immediately before the end of the financial year, Mike has not served as a Director of any listed company. Mike has previously served as a director of AMC Management (WA) Pty Ltd, Facility Manager of the Australian Marine Complex - Common User Facility.

#### COMPANY SECRETARY

##### CHIEF FINANCIAL OFFICER AND JOINT COMPANY SECRETARY

**Mr David James Rich**  
BCom, FCA, GAICD, AGIA,  
Grad.Dip.CSP

David is an experienced public company CFO and Company Secretary with over 35 years commercial experience including the last 25 years as CFO of ASX listed companies. Over his career David has worked in senior management for companies within the technology, manufacturing and oil and gas industries involving international interests and operations including in Australia, Europe, Asia, Africa and the USA.



Figure 5: M/Y Cynderella, a 101' Hargrave Custom Yacht is fitted with 43" VEEMStar 5 blade propellers.



## INTERESTS IN THE SHARES OF THE COMPANY AND RELATED BODIES CORPORATE

The following relevant interests in shares of the Company or a related body corporate were held by the Directors as at the date of this report.

Directors	FULLY PAID ORDINARY SHARES
	Number
John Bradley Miocevic	68,135,593 <sup>1</sup>
Mark David Miocevic	68,135,593 <sup>1</sup>
Ian Henry Barsden	53,571
Peter Patrick Torre	72,711
Michael Robert Bailey	115,423

(i) Mr Brad Miocevic and Mr Mark Miocevic have a relevant interest in VEEM Corporation Pty Ltd ATF the Miocevic Family Trust which holds 68,135,593 fully paid ordinary shares in the Company.

### SHARES UNDER OPTION OR ISSUED ON EXERCISE OF OPTIONS

At the date of this report there were no unissued ordinary shares or interests of the Company under option.

### PRINCIPAL ACTIVITIES

The principal activities of the Company during the course of the year were:

- Production of propulsion and stabilization systems; and
- Manufacturing bespoke products and services for the marine, defence and mining industries.



Figure 7: A VEEM Marine VG140SD being lowered into Fish and Fish Ltd. workboat M/V Emmaya.

## REVIEW OF FINANCIAL AND OPERATING PERFORMANCE

### FINANCIAL PERFORMANCE

The Company reported Net Profit After Tax (NPAT) for FY22 of \$1.3 million (2021: \$4.9 million) from revenue of \$54.2 million (2021: \$59.5 million). Earnings before interest, tax, depreciation and amortisation (EBITDA) was \$6.1 million (2021: \$10.2 million). Cash flow from operations was \$2.5 million (2021: \$6.3 million). The FY21 EBITDA and NPAT results included \$1.6 million of income from JobKeeper and other COVID-related government payments with cashflow from operations including \$2.2 million.

Revenues from propulsion and engineering products and services were strong in FY22. Defence was lower off the back of the completion of the completion of the Austal LCS program and gyro was steady by volume of units.

The COVID impact was significant in both orders and staffing levels this financial year, which inhibited growth and profits.

The continuous and significant price increases in raw materials and freight eroded margins, particularly the bronze (copper and nickel) used for propellers where a fixed price list exists. This appears to have stabilised in the last few months of FY22.

There was a rare event of an increase in defective propeller castings that occurred in the second quarter of FY22 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 was back to previous levels by the end 2021 and has been maintained throughout the rest of FY22.

Net assets increased by \$7.0 million to \$43.6 million. This increase included the capital raising set out below.

During the first half of FY22 VEEM raised \$6.4m (net of costs) through the issue of 5,719,452 new shares. The 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 Purchase Plan which was also announced on 13 September 2021.

The Company held cash on hand of \$2.6m at 30 June 2022 (30 June 2021: \$2.2m) and has an undrawn overdraft facility of \$3.4m and an undrawn commercial loan facility of \$2.0 million.



**Figure 8:** M/V Emmaya on location at the tuna farm. M/V Emmaya has a VG140SD gyrostabilizer on board.

## OPERATIONS

### GYROSTABILIZERS

After a decade of research, development and commercialisation, VEEM holds the dominant position as the only major supplier in the large marine gyrostabilizer market, which is estimated at US\$1.1bn for new builds and US\$13.5bn for retrofits (Refer to the ASX release of 12 May 2021 for details).

Significant capital investment and intellectual expertise requirements now provide major barriers to entry for competitors wanting to get into this large market. VEEM is exploiting this by driving sales growth and taking its robust technology into smaller frames to compete against smaller marine gyrostabilizers that have been developed more as recreational products.



**Figure 9:** The latest Y85 from Princess Yachts features a pair of 41" VEEMStar-C propellers enabling a top speed of 31 knots.

Even through the challenges the last few years have placed on all companies, VEEM has continued to work on improving the efficiency and reliability of its global supply chain with some components able to be simplified or combined. New suppliers have provided VEEM with alternatives that improve the reliability, quality and effectiveness of the supply chain.

During the year a new Head of Sales and Business Development - Europe commenced to drive sales in the key European markets and further overseas staff were employed in after-sales to provide product support.

In FY22 VEEM sold 12 gyros worth \$5.5m and had orders on hand of \$1.3m at 30 June 2022. Although revenue was down from last year's \$7.4m, the number of units was the same (12). This is a reflection of the mix of models sold as the sale price of the individual gyro models ranges from US\$250k to over US\$1.2m. Like the rest of the world, the shipyards in Europe were impacted over the year by COVID and supply chain issues with delays meaning current builds were not completed and hence ordering for new builds were also delayed.

Damen's new walk to work vessel, the FCS 7011, which features the VEEM VG520SD as a key stabilizing technology, was launched in the Netherlands in early 2022 and is now available for charter through OceanXpress. The vessel is designed to revolutionise offshore crew transfers. VEEM has subsequently received enquiries for gyros on the back of this vessel. This project had been scheduled for release in early 2021 with delays again having flow on effects to marketing and selling of VEEM gyros.

The significant volume and quality of leads provides confidence that future orders and sales are coming and VEEM will continue to build inventory of complete units in line with lead trends in order to meet expectations.

### PROPULSION

VEEM continues to lead the world in fixed pitch propeller design and manufacture. VEEM propellers are sold worldwide to premium boatbuilders and OEMs.

On the back of very strong demand for recreational boating products globally, VEEM's sales of propellers and shaft lines was \$20.7 million for FY22, up 26% on FY21. During the year new key superyacht builders added VEEM as a primary supplier with some requesting possible long term, volume-based contracts.

Several price rises were implemented during FY22 to account for the initial spike in costs followed by continued rises in freight, raw materials/commodity costs and to a lesser extent, labour costs. Currently prices are on a quarterly review cycle.

During the year propeller manufacturing capacity was increased by the delivery and installation of two new propeller CNC machining centres that VEEM had ordered early in FY21. VEEM now has the ability to generate over \$2m a month in propeller sales.

A further three smaller machines were ordered during FY22 and are scheduled for delivery in late 2022. These new machines will increase capacity by a further 25% to meet evident demand, with key customers globally forecasting increased production with many yards booked out to 2023-4.

Part of VEEM's research and development focus is to continually increase the automation of the propeller process which not only reduces time and cost but also, notably in the current environment, reduces the requirement for highly skilled labour as capacity expands.





**Figure 10:** Pouring metal for a large casting at VEEM in Canning Vale, Western Australia.



**Figure 11:** An example of VEEM's precision engineering.

## DEFENCE

As expected, VEEM's revenue from the defence sector was down 39% to \$14.3 million in FY22. A complete full cycle docking (FCD) of a Collins Class submarine is in progress (\$9 million) and will continue to late FY223. The provision of additional spares are continuing as usual. Collins Class submarines will continue well into the 2040s with a life of type extension program as well as ongoing FCD.

Austal ride control and propulsion work is ongoing, with overall revenue lower due to completion of the 14 year LCS contract early in the second half of FY22. Deliveries of the Evolved Cape-class Patrol Boat (ECCPB) from Austal to the RAN are underway with VEEM providing the propulsion equipment. Austal aim to deliver nine vessels to the RAN this calendar year of which all vessels comprise VEEM products.

Phase 1 of the qualification program for the manufacture of the Hunter Class Frigate propellers for BAE Systems Australia and Kongsberg was successful and phase 2 has been tendered. If successful in phase 2, a tender for manufacture is expected to be issued late 2023.

The successful completion of the initial pilot propeller blade is a significant achievement for VEEM, now being one of only a very small number of manufacturers globally able to meet the demanding standards.

## ENGINEERING PRODUCTS AND SERVICES

VEEM's traditional engineering and industrial products business was a strong contributor to profits and margins with revenue of \$8.4 million for the year, up 20% of FY21 (includes hollow bar, excludes defence). This growth was due partly to strong demand from the mining sector and several large orders for foundry-led precision engineering work.

Within this category, hollow bar revenue (which includes the Forever Pipe product) was steady at \$5.6 million for the year with the second half sales improving on a weaker first half.



**Figure 12:** The PowerPlay rounding Cape Byron, Australia's most easterly point.

## OUTLOOK

Overall the Board is confident the challenges of FY22 have been met and dealt with and the Company is in a strong position 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, which is still in the early stages of its life cycle, continues to improve 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).

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.

VEEM's propellers continue to be the premium product in the fixed pitch propeller market globally. Propulsion revenue is expected to grow strongly in FY23 due to the increased capacity added in FY22 and the three new machines due for delivery in late 2022. In FY22 the strong global demand meant sales were VEEM's capacity. Currently there are no signs of this global demand abating.

VEEM's defence revenue is expected to remain strong with the deliveries under the current Collins Class submarine full cycle docking continuing and the usual recurring level of spares. Other defence work for a number of different prime contractors is also expected to continue.



**Figure 13:** M/V Venera, a Van der Valk Shipyard Explorer series vessel features VEEM Star 5-Bladed Propellers and a VEEM Marine VG70SD gyrostabiliser.

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. Revenues from the traditional business are expected to continue.

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 in the coming months. Success would be a significant step toward a treatment for a disease that claims an estimated million lives a year in 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, COVID-related issues and inflation are behind us and VEEM has in place plans to protect operating margins should these challenges arise in the future.

## STRATEGY

VEEM's strategy and focus is to become the global market leader in the provision of gyrostabilization to superyachts and large commercial craft while growing its position as a premier supplier of world leading fixed pitch propeller technology.

VEEM will also continue to manufacture bespoke specialised engineered products and services for the marine, defence, resources and other industries.



## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than disclosed elsewhere in this report, there have been no significant changes in the state of affairs of the Company to the date of this report.

## SIGNIFICANT EVENTS AFTER BALANCE DATE

No matters or circumstances have arisen since the end of the financial year which have significantly affected or may significantly affect the operating of the Company, the results of those operations, or state of affairs of the Company in future financial years apart from those listed below:

1. On 18 August 2022 the Company declared an unfranked ordinary dividend of \$285,000 representing \$0.0021 per share.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Company will continue with its strategy as set out above.

## ENVIRONMENTAL LEGISLATION

The Company is not subject to any significant environmental legislation.

## DIVIDENDS

Dividends paid to members during the financial year were as follows:

- A final ordinary dividend of \$585,000 was paid on 21 September 2021.
- An interim ordinary dividend of \$95,000 was paid on 19 April 2022.

Since the end of the financial year the Directors have recommended the payment of a final unfranked ordinary dividend of \$285,000 (0.21 cents per share) to be paid on or around 21 September 2022. The recommendation is based on 30% of the net profit after tax less the interim dividend of \$95,000 already paid.

## INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has agreed to indemnify all the Directors of the Company and the Chief Financial Officer for any liabilities to another person (other than the Company or related body corporate) that may arise from their position as Directors or officers of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith.

During the financial year the Company paid a premium in respect of a contract ensuring the Directors and officers of the Company and its controlled entities against any liability incurred in the course of their duties to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.



**Figure 14:** M/Y Ostara is a Westport yacht fitted with two VG52SD VEEM Marine gyrostabilizers.



## REMUNERATION REPORT - AUDITED

This report, which forms part of the Directors' report, outlines the remuneration arrangements in place for the key management personnel ("KMP") of VEEM Ltd for the financial year ended 30 June 2022. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

The remuneration report details the remuneration arrangements for KMP who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

### KEY MANAGEMENT PERSONNEL

The Key Management Personnel are set out below were the only key management personnel of the Company during or since the end of the financial year.

#### Directors

John Bradley Miocevich	Chairman (Non-Executive)
Mark David Miocevich	Managing Director
Ian Henry Barsden	Non-Executive Director
Peter Patrick Torre	Independent Non-Executive Director
Michael Robert Bailey	Independent Non-Executive Director

#### Executive

David James Rich	Chief Financial Officer and Company Secretary
Brett Wayne Silich	Global Commercial Manager

The named persons held their current positions for the whole of the financial year and to the date of this report.

## REMUNERATION PHILOSOPHY

The performance of the Company depends upon the quality of the Directors and executives. The philosophy of the Company in determining remuneration levels is to set competitive remuneration packages to attract and retain high calibre employees.

### REMUNERATION COMMITTEE

The Company did not have a separate Remuneration and Nomination Committee during the year. The full Board fulfilled the role typically undertaken by a Remuneration Committee and was responsible for determining and reviewing compensation arrangements for the Directors.

The Board assesses the appropriateness of the nature and amount of remuneration of Directors and executives on a periodic basis by reference to relevant employment market conditions with an overall objective of ensuring maximum stakeholder benefit from the retention of a high-quality Board and executive team.

### REMUNERATION STRUCTURE

In accordance with best practice corporate governance, the structure of non-executive Director and executive remuneration is separate and distinct.

### USE OF REMUNERATION CONSULTANTS

Independent external advice is sought from remuneration consultants as required. A Benchmarking Report was procured during the previous financial year to ensure the level of remuneration for the Company's Managing Director was in line with market and commensurate with the role being undertaken. Changes to the Managing Director's remuneration resulting from the review were made in July 2021.

Using the abovementioned Benchmarking Report as a guide, in September 2021 the Board increased the remuneration of the Non- Executive Directors by 8%. The Non-Executive Directors had not had an increase in remuneration since the IPO in 2016 and the 8% represents the CPI increase from the IPO to 30 June 2021.

## NON-EXECUTIVE DIRECTOR REMUNERATION

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The ASX Listing Rules specify that the aggregate remuneration of non-executive Directors shall be determined from time to time by a general meeting. The Constitution of the Company as at the time of listing in October 2016 provides that the aggregate remuneration of non-executive Directors be set at \$400,000.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually leading up to the Company's Annual General Meeting. The Board considers advice from external shareholders as well as the fees paid to non-executive Directors of comparable companies when undertaking the annual review process.

Each Director receives a fee for being a Director of the Company. Given there are no committees currently in place, no additional fees are paid.

## SENIOR MANAGER AND EXECUTIVE DIRECTOR REMUNERATION

Remuneration consisted of reasonable fixed remuneration and a performance rights and option plan during the year.

### FIXED REMUNERATION

Fixed remuneration is reviewed annually by the Board. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. The Board has access to external, independent advice where necessary.

Senior managers are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company. The fixed remuneration component is detailed in Key Management Personnel remuneration tables for the years ended 30 June 2022 and 30 June 2021.

## PERFORMANCE RIGHTS AND OPTIONS PLAN

The Company issued 150,000 Performance Rights under its performance rights and option plan to its Chief Financial Officer, Mr David Rich in July 2021. At 30 June 2022 these were the only performance rights on issue and there were no other performance rights granted or cancelled during the year. The issue was undertaken under the Company's placement capacity pursuant to ASX Listing Rule 7.1 given the Plan is yet to be approved by shareholders of the Company. The key terms of the Performance Rights issued are as follows:

- 50,000 Performance Rights which vest on 12 months from date of issue and upon the 30-day Volume Weighted Share Price of the Company being \$1.50 or above at any time up to expiry.
- 50,000 Performance Rights which vest on 24 months from date of issue and upon the 30-day Volume Weighted Share Price of the Company being \$2.00 or above at any time up to expiry.
- 50,000 Performance Rights which vest on 36 months from date of issue and upon the 30-day Volume Weighted Share Price of the Company being \$2.50 or above at any time up to expiry.
- All Performance Rights have an accelerated vesting condition on a change of control event at any time up to expiry.
- All Performance Rights expire 3 years and 1 month from date of issue, being 14 August 2024.

## 2021 ANNUAL GENERAL MEETING

The Remuneration Report for the year ended 30 June 2021 was approved by in excess of 75% of shareholders at the Annual General Meeting.

## PERFORMANCE ON SHAREHOLDER WEALTH

In considering the Company's performance and benefits for shareholder wealth, the Board have regarded the following indices in respect of the current and previous four financial years:

	2022	2021	2020	2019	2018
EPS (cents per share)	0.93	3.78	1.90	1.97	1.67
Dividends (cents per share)	0.43	0.66	0.57	0.41	1.61
Net profit (\$)	1,265,839	4,911,175	2,470,261	2,554,705	2,170,717
Share price (\$)	0.38	1.33	0.40	0.53	0.47

## EMPLOYMENT CONTRACTS

Details of employment contracts with executive KMP: Agreements with M. Mioceвич (date of commencement 1 September 2016) and D. Rich (date of commencement 18 November 2019).

Name	Term of agreement and termination provisions	Base salary including superannuation	Termination benefit
<b>M. Mioceвич</b> Managing Director	This agreement has no set term. Termination of the agreement is 1 months' notice by the Executive or 3 months' notice by the Company and includes a 6 month restraint of trade.	Base: \$496,432 per annum plus \$25,292 superannuation	3 Months salary
<b>D. Rich</b> Chief Financial Officer	This agreement has no set term. Termination of the agreement is 1 months' notice by the Executive or the Company and includes a 6 month restraint of trade.	Base: \$338,306 per annum plus \$25,292 superannuation	3 Months salary. 12 months salary in the event of a change of control and diminution in duties.
<b>B. Silich Global</b> Commercial Manager	This agreement has no set term. Termination of the agreement is 1 months' notice by the Executive or the Company and includes a 12 month restraint of trade.	Base: \$315,000 per annum plus \$25,292 superannuation	None

Executive remuneration consisted of fixed and variable remuneration during the year to 30 June 2022. The Company continues to assess the structure of executive remuneration to ensure it appropriately incentivises key management.



## REMUNERATION OF KEY MANAGEMENT PERSONNEL

Key Management Personnel remuneration for the years ended 30 June 2022 and 30 June 2021:

	Salary & fees	Short-term employee benefits			Post-employment benefits	Long term benefits	Share based payments	Total	Relative proportions of remuneration of KMP that are linked to performance	
		Bonus	Non-monetary benefits	Other					Superannuation	Long service leave
30 June 2022	\$	\$	\$	\$	\$	\$	\$	\$	%	%
<b>Directors</b>										
Bradley Miocevich	118,182	-	-	-	11,818	-	-	130,000	100%	-
Mark Miocevich	492,532	-	-	-	23,568	16,553	-	532,653	100%	-
Ian Barsden	59,090	-	-	-	5,909	-	-	64,999	100%	-
Peter Torre	71,500	-	-	-	-	-	-	71,500	100%	-
Michael Bailey	59,090	-	-	-	5,909	-	-	64,999	100%	-
<b>Total Director remuneration</b>	<b>800,394</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>47,204</b>	<b>16,553</b>	<b>-</b>	<b>864,151</b>		
<b>Executive</b>										
David Rich	334,656	-	-	-	23,568	5,640	24,722	388,586	94%	6%
Brett Silich	305,556	-	-	-	23,568	2,735	-	331,859	100%	-
<b>Total Executive remuneration</b>	<b>640,212</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>47,136</b>	<b>8,375</b>	<b>24,722</b>	<b>720,445</b>		
<b>Total</b>	<b>1,440,606</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>94,340</b>	<b>24,928</b>	<b>24,722</b>	<b>1,584,596</b>		

	Salary & fees	Short-term employee benefits			Post-employment benefits	Long term benefits	Share based payments	Total	Relative proportions of remuneration of KMP that are linked to performance	
		Bonus	Non-monetary benefits	Other					Superannuation	Long service leave
30 June 2021	\$	\$	\$	\$	\$	\$	\$	\$	%	%
<b>Directors</b>										
Bradley Miocevich*	118,356	-	-	-	11,244	-	-	129,600	100%	-
Mark Miocevich	427,760	-	-	-	21,506	7,129	-	456,395	100%	-
Ian Barsden	54,794	-	-	-	5,206	-	-	60,000	100%	-
Peter Torre	60,000	-	-	-	-	-	-	60,000	100%	-
Michael Bailey	54,794	-	-	-	5,206	-	-	60,000	100%	-
<b>Total Director remuneration</b>	<b>715,704</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>43,162</b>	<b>7,129</b>	<b>-</b>	<b>765,995</b>		
<b>Executive</b>										
David Rich	290,091	-	-	-	21,694	5,638	-	317,423	100%	-
Brett Silich**	42,149	-	-	-	4,004	769	-	46,922	100%	-
<b>Total Executive remuneration</b>	<b>332,168</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25,698</b>	<b>6,407</b>	<b>-</b>	<b>364,273</b>		
<b>Total</b>	<b>1,047,872</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>68,860</b>	<b>13,536</b>	<b>-</b>	<b>1,130,268</b>		

\*Mr B Miocevich received an additional amount of \$9,600 (including superannuation) in July and August 2020 for services provided in relation to the direct project management of an engineering project. This additional work was approved in advance by the Board.

\*\*Mr B Silich commenced on 3 May 2021

## FULLY PAID ORDINARY SHARES

	Balance at beginning of year	Granted as compensation	Received on exercise of options	Net change other	Balance at end of year	Balance held nominally
30 June 2022	Number	Number	Number	Number	Number	Number
<b>Directors</b>						
Bradley Miocevich	80,000,000 <sup>1</sup>	-	-	(11,864,407)	68,135,593 <sup>1</sup>	-
Mark Miocevich	80,000,000 <sup>1</sup>	-	-	(11,864,407)	68,135,593 <sup>1</sup>	-
Ian Barsden	53,571	-	-	-	53,571	-
Peter Torre	60,000	-	-	12,711	72,711	-
Michael Bailey	90,000	-	-	25,423	115,423	-
<b>Executive</b>						
David Rich	210,916	-	-	5,400	216,316	-
Brett Silich	-	-	-	-	-	-

	Balance at beginning of year	Granted as compensation	Received on exercise of options	Net change other	Balance at end of year	Balance held nominally
30 June 2021	Number	Number	Number	Number	Number	Number
<b>Directors</b>						
Bradley Miocevich	80,000,000 <sup>1</sup>	-	-	-	80,000,000 <sup>1</sup>	-
Mark Miocevich	80,000,000 <sup>1</sup>	-	-	-	80,000,000 <sup>1</sup>	-
Ian Barsden	53,571	-	-	-	53,571	-
Peter Torre	60,000	-	-	-	60,000	-
Michael Bailey	90,000	-	-	-	90,000	-
<b>Executive</b>						
David Rich	210,916	-	-	-	210,916	-
Brett Silich	-	-	-	-	-	-

1. Mr Brad Miocevich and Mr Mark Miocevich have a relevant interest in VEEM Corporation Pty Ltd ATF the Miocevich Family Trust which holds 68,135,593 fully paid ordinary shares in the Company.

The Company has two lease agreements with Voyka Pty Ltd, an entity controlled by an entity related to Mr Mark Miocevich and Mr Brad Miocevich. The Company pays Voyka Pty Ltd current monthly rent of \$156,320 monthly excluding GST which is exclusive of any outgoings including rates, taxes, insurance premiums and maintenance costs. The leases end in 2029 and are on commercial terms.

## END OF REMUNERATION REPORT

## DIRECTORS' MEETINGS

The number of meetings of Directors held during the year and the number of meetings attended by each Director were as follows:

	Meetings Held	Eligible to Attend	Meetings Attended
Number of meetings held:	14		
Number of meetings attended:			
John Bradley Miocevich		14	14
Mark David Miocevich		14	14
Ian Henry Barsden		14	13
Peter Patrick Torre		14	14
Michael Robert Bailey		14	14

## PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

## NON-AUDIT SERVICES

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 22 to the financial statements. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services do not compromise the auditor's independence as all non-audit services have been reviewed to ensure that they do not impact the impartiality and objectivity of the auditor and none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110: Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board.

## AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the Directors of the Company with Independence Declaration in relation to the audit of the annual report. This Independence Declaration is set out on page 18 and forms part of this Directors' report for the year ended 30 June 2022.

Signed in accordance with a resolution of the Directors.



**Mark David Miocevich**  
**Managing Director**  
 Perth, 18 August 2022



AUDITOR'S INDEPENDENCE DECLARATION

**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the audit of the financial report of VEEM Ltd for the year ended 30 June 2022, 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 audit;  
and
- b) any applicable code of professional conduct in relation to the audit.

Perth, Western Australia  
18 August 2022



**N G Neill**  
Partner

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



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## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 (\$)	2021 (\$)
<b>Continuing operations</b>			
Revenue	2	54,262,635	59,538,617
Government subsidies	2	245,576	1,698,565
Foreign exchange losses (net)		(91,675)	(389,523)
Changes in inventories of finished goods and work in progress		4,429,302	2,523,494
Raw materials and consumables purchases		(26,639,867)	(28,224,607)
Employee benefits expense		(21,395,091)	(20,111,147)
Depreciation and amortisation expense		(4,021,791)	(3,637,309)
Repairs and maintenance expenses		(1,633,690)	(1,705,408)
Occupancy expense		(1,199,207)	(1,189,472)
Borrowing costs expense		(651,219)	(720,179)
Other expenses	2	(1,905,129)	(1,874,867)
<b>Profit before income tax expense</b>		<b>1,399,844</b>	<b>5,908,164</b>
Income tax benefit/(expense)	3	(134,005)	(996,989)
<b>Net profit for the year</b>		<b>1,265,839</b>	<b>4,911,175</b>
Other comprehensive income, net of income tax		-	-
<b>Total comprehensive income for the year</b>		<b>1,265,839</b>	<b>4,911,175</b>
<b>Earnings per share</b>			
Basic earnings per share (cents per share)	5	0.93	3.78
Diluted earnings per share (cents)	5	0.93	3.78

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

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

	Notes	2022 (\$)	2021 (\$)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	2,632,302	2,233,076
Trade and other receivables	8	10,328,003	9,820,535
Inventories	9	17,592,930	12,992,181
Other assets	10	1,192,863	2,682,958
Current tax assets	3	182,610	522,162
<b>Total current assets</b>		<b>31,928,708</b>	<b>28,250,912</b>
<b>Non-current assets</b>			
Property, plant and equipment	11	17,089,330	12,917,940
Deferred tax assets	3	2,856,829	1,301,610
Intangible assets	12	18,053,058	15,705,046
Right-of-use-asset	13	11,132,417	12,108,464
<b>Total non-current assets</b>		<b>49,131,634</b>	<b>42,033,060</b>
<b>Total assets</b>		<b>81,060,342</b>	<b>70,283,972</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	14	7,945,174	7,494,592
Borrowings – current	15	1,387,397	1,469,153
Provisions	17	1,832,013	1,842,135
Derivative liability	20	192,682	-
Lease liabilities - current	16	1,491,012	1,312,232
<b>Total current liabilities</b>		<b>12,848,278</b>	<b>12,118,112</b>
<b>Non-current liabilities</b>			
Borrowings – non current	15	8,121,339	5,701,585
Deferred tax liabilities	3	5,720,922	4,129,227
Provisions	17	100,929	154,135
Lease liabilities – non current	16	10,666,864	11,558,461
<b>Total non-current liabilities</b>		<b>24,610,054</b>	<b>21,543,408</b>
<b>Total liabilities</b>		<b>37,458,332</b>	<b>33,661,520</b>
<b>Net assets</b>		<b>43,602,010</b>	<b>36,622,452</b>
<b>EQUITY</b>			
Issued capital	18	11,509,613	5,140,616
Reserves	19	24,722	-
Retained earnings		32,067,675	31,481,836
<b>Total equity</b>		<b>43,602,010</b>	<b>36,622,452</b>

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



## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2022

	Note	Issued Capital \$	Reserves \$	Retained earnings \$	Total \$
<b>At 1 July 2020</b>		5,140,616	-	27,422,161	32,562,777
Profit for the year		-	-	4,911,175	4,911,175
Other comprehensive income, net of income tax		-	-	-	-
<b>Total comprehensive income for the year</b>		-	-	4,911,175	4,911,175
Dividends paid	6	-	-	(851,500)	(851,500)
<b>Balance at 30 June 2021</b>		5,140,616	-	31,481,836	36,622,452
Profit for the year		-	-	1,265,839	1,265,839
Other comprehensive income, net of income tax		-	-	-	-
<b>Total comprehensive income for the year</b>		-	-	1,265,839	1,265,839
Shares issued during the year		6,749,000	-	-	6,749,000
Share issue costs		(380,003)	-	-	(380,003)
Share-based payment expense recognised		-	24,722	-	24,722
Dividends paid	6	-	-	(680,000)	(680,000)
<b>Balance at 30 June 2022</b>		11,509,613	24,722	32,067,675	43,602,010

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

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 (\$)	2021 (\$)
<b>Cash flows from operating activities</b>			
Receipts from customers		55,125,341	59,059,289
Payments to suppliers and employees		(53,130,011)	(54,145,627)
Government subsidies received		245,576	2,215,878
Interest paid		(651,219)	(720,179)
Interest received		28,789	4,310
Income tax received/(paid)		242,023	466,286
Net GST received/(paid)		658,764	(587,242)
<b>Net cash flows provided by operating activities</b>	7	<u>2,519,263</u>	<u>6,292,715</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(1,907,826)	(714,373)
Purchase of intangible assets		(3,038,385)	(2,840,416)
Proceeds from sale of property, plant and equipment		122,615	6,787
<b>Net cash flows used in investing activities</b>		<u>(4,823,596)</u>	<u>(3,548,002)</u>
<b>Cash flows from financing activities</b>			
Repayment of borrowings	7	(1,785,138)	(1,945,703)
Dividends paid		(680,000)	(851,500)
Net proceeds from issue of shares		6,368,997	-
Payments of lease liabilities	7	(1,317,782)	(1,257,731)
<b>Net cash flows provided by / (used in) financing activities</b>		<u>2,586,077</u>	<u>(4,054,934)</u>
Net increase/(decrease) in cash and cash equivalents		281,744	(1,310,221)
Cash and cash equivalents at the beginning of the year		2,233,076	3,618,166
Effect of exchange rate fluctuations on cash held		117,482	(74,869)
<b>Cash and cash equivalents at the end of the year</b>	7	<u>2,632,302</u>	<u>2,233,076</u>

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

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

### (a) BASIS OF PREPARATION

These financial statements are general purpose financial statements, which have been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and comply with other requirements of the law.

The accounting policies detailed below have been consistently applied to all of the years presented unless otherwise stated. For the purpose of preparing the financial statements, the Company is a for-profit entity.

The financial statements have been prepared on a historical cost basis except for where applicable derivative financial instruments. Historical cost is based on the fair values of the consideration given in exchange for goods and services.

The Company is a listed public Company, incorporated in Australia and operating in Australia selling into domestic and global markets. The entity's principal activities are described in the Directors' Report.

#### Going concern

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

### (b) ADOPTION OF THE REVISED STANDARDS

#### *Standards and Interpretations applicable to 30 June 2022*

In the year ended 30 June 2022, 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 reporting period beginning on or after 1 July 2021. As a result of this review, the Directors have determined that there is no material impact of the Standard and Interpretations issued on the Company and, therefore, no change is necessary to its 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 year ended 30 June 2022. 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) STATEMENT OF COMPLIANCE

The financial report was authorised for issue by the Board of VEEM Ltd on 18 August 2022.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

### (d) SIGNIFICANT ACCOUNTING JUDGMENTS AND KEY ESTIMATES

The preparation of the 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.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### Leases

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 the Company 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.

#### Amortisation of product development

Product development is amortised based on units of production as the Board has determined that this appropriately apportions the costs of development across the units produced to meet customer orders and building of inventory to meet future orders. Product development costs continue to be monitored for any indicators that these costs may be impaired or whether the amortisation rate needs to be accelerated.

The key patents in place currently for the Company's range of gyrostabilizers expire in February 2031. During the year the Board reviewed the period over which the product development assets related to the gyrostabilizer product are amortised and concluded that amortisation over the period of the patents based on units of production is appropriate as it corresponds to the period the Company expects to benefit from the technology. This change is effective from 1 July 2021.

#### Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that sufficient future tax profits will be available to utilise those temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits.

#### Inventories

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

#### Capitalisation of internally developed products

Distinguishing the research and development phases of new products and determining whether the recognition requirements for the capitalisation of development costs are met requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired.

The Company assesses at each balance date whether there is an indication that an asset may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount, being the higher of its fair value less costs to sell and its value in use. The value in use requires an estimation of the recoverable amount of the cash generating units to the assets are allocated.

During the year, the recoverable amount of the Company's intangible development assets were estimated with a value in use estimation based on the discounted future cashflows from the sales of the gyrostabilizer product range. Refer to Note 12.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (e) SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of VEEM Ltd.

The Board 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 operational 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 profit or loss and other 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.

### (f) FOREIGN CURRENCY TRANSLATION

Both the functional and presentation currency of VEEM Ltd is Australian dollars.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date.

All exchange differences in the financial report are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

### (g) REVENUE RECOGNITION

Revenue from contracts with customers is measured at fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties. Contract liabilities are recognised where applicable in relation to sales.

#### Point in time recognition - sale of goods – propulsion & stabilization

Revenue is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Over time recognition - Sale of goods and rendering of services - mining & industrial engineering, propulsion & stabilization and defence

In determining whether performance obligations are satisfied over time the Company considers the following:

- Legal control is often retained by the customer;
- VEEM products and services are highly specialised and often do not have an alternate use; and
- Contracts are established with customers so that VEEM has an enforceable right to payment for performance completed to date, including profit margin.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue is recognised by reference to the stage of completion of the performance obligation. The stage of completion of the performance obligation is determined as follows:

- Contract income is recognised by reference to the total actual costs incurred at the end of the reporting period relative to the proportion of the total costs expected to be incurred over the life of the performance obligation;
- Servicing fees are recognised by reference to the proportion of the total cost of providing the service for the product sold; and
- Revenue from time and material contracts are recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

#### Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be reliably measured. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that assets' net carrying amount on initial recognition.

#### (h) GOVERNMENT GRANTS

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants are presented as other income in the statement of profit or loss and other comprehensive income.

#### (i) LEASES

Where the Company is a lessee, the Company recognises a right-of-use asset and a corresponding liability at the date which 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 reflects 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.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

#### (j) INCOME TAX

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary difference and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

#### **(k) OTHER TAXES**

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

#### **(l) IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS**

The Company assesses at each balance date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each balance date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The sales of gyrostabilizers for the year were below budget representing an indicator of possible impairment of the Company's intangible gyrostabilizer product development assets under AASB 136. Following the impairment assessment, no impairment was required. Refer to note 12 for more details on the impairment assessment.

#### (m) CASH AND CASH EQUIVALENTS

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

#### (n) TRADE AND OTHER RECEIVABLES

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less any allowance for impairment. Trade receivables are generally due for settlement within periods ranging from 15 days to 60 days.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Company will not be able to collect all amounts due according to the original contractual terms.

Factors considered by the Company in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Company. The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term discounting is not applied in determining the allowance.

The amount of the impairment loss is recognised in the statement of profit or loss and other comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of profit or loss and other comprehensive income.

#### (o) INVENTORIES

##### ⌚ Raw material, stores and work in progress

Raw materials, stores and work in progress are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of stock mainly on the basis of average cost.

##### ⌚ Contract work in progress

Contract work in progress is stated at cost plus attributable profit to date (based on percentage of completion of each contract) less progress billings. Cost includes all costs directly related to specific contracts and an allocation of overhead expenses incurred in connection with the Company's contract operations. Where a loss on completion is indicated that loss is brought to account in the current year.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (p) DERECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

##### Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is de-recognised when:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either:
  - has transferred substantially all the risks and rewards of the asset; or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Company could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

##### Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

#### (q) PROPERTY, PLANT AND EQUIPMENT

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Motor vehicles	3-10 years
Plant and equipment	5-30 years
Computer equipment	3-5 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### Impairment

The carrying values of plant and equipment are reviewed for impairment at each balance date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to approximate fair value. An impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the statement of profit or loss and other comprehensive income.

#### De-recognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

#### (r) INTANGIBLE ASSETS

##### Intangible assets acquired separately

Intangible assets acquired separately are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes in these accounting estimates being accounted for on a prospective basis.

##### Internally generated intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

The following useful lives are used in the calculation of amortisation:

Patents	10 – 20 years
Product Development Expenditure	Units of production
Software	10 years

#### Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Company has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

#### (s) TRADE AND OTHER PAYABLES

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

#### (t) BORROWINGS

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (u) PROVISIONS

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

When the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss and other comprehensive income net of any reimbursement.

Provisions are measured at the present value or management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

#### Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

#### Warranties

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products, at the Directors' best estimate of the expenditure required to settle the Company's obligation.

#### Lease restoration provision

A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with the end of the lease term. The calculation of this provision requires assumptions such as application of end dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

#### (v) EMPLOYEE LEAVE BENEFITS

##### Wages, salaries, annual leave and sick leave

Liabilities accruing to employees in respect of wages and salaries, annual leave and sick leave expected to be settled within 12 months of the balance date are recognised in other payables in respect of employees' services up to the balance date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Liabilities accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave not expected to be settled within 12 months of the balance date are recognised in non-current liabilities in respect of employees' services up to the balance date. They are measured as the present value of the estimated future outflows to be made by the Company.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the balance date. Consideration is given to expected future wage and salary levels, experience of employee departures and period of service. Expected future payments are discounted using market yields at the balance date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

#### (w) DIVIDENDS

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

#### (x) EARNINGS PER SHARE

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share are calculated, where applicable, as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends);
- the after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

#### (y) DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

##### Cash flow hedges:

Cash flow hedges are used to cover the Company's exposure to variability in cash flows that is attributable to particular risks associated with a recognised asset or liability or a firm commitment which could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income through the cash flow hedges reserve in equity, whilst the ineffective portion is recognised in profit or loss. Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction when the forecast transaction occurs.

Cash flow hedges are tested for effectiveness on a regular basis both retrospectively and prospectively to ensure that each hedge is highly effective and continues to be designated as a cash flow hedge. If the forecast transaction is no longer expected to occur, the amounts recognised in equity are transferred to profit or loss.

If the hedging instrument is sold, terminated, expires, exercised without replacement or rollover, or if the hedge becomes ineffective and is no longer a designated hedge, the amounts previously recognised in equity remain in equity until the forecast transaction occurs.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

### NOTE 2: REVENUE AND EXPENSES

#### Revenue from contracts with customers

	2022 (\$)	2021 (\$)
Sales revenue		
• Revenue – point in time	6,377,977	6,834,216
• Revenue – over time	47,819,268	52,620,604
	<u>54,197,245</u>	<u>59,454,820</u>
Other revenue	65,390	83,797
	<u>54,262,635</u>	<u>59,538,617</u>
Other subsidies		
• JobKeeper subsidy	-	1,535,250
• Cashflow boost subsidy (COVID-19)	-	50,000
• Apprentice subsidies	186,165	113,315
• Government subsidies – Manufacturing Modernisation Fund	59,411	-
	<u>245,576</u>	<u>1,698,565</u>

During the year, the Company recognised revenue of \$9,603,509 (2021: \$7,778,743) in relation to the prior year's work in progress. The Company has progress billings at 30 June 2022 of \$6,690,719 (2021: \$8,263,159), refer to Note 9.

The Company has contract assets, being work in progress (recognised over time) at 30 June 2022 of \$6,339,411 (2021: \$8,451,146).

The Company will recognise revenue from contracts with customers based on the following performance:

- the completion of the contracted work-scope following factory acceptance testing in accordance with contract terms and conditions; and
- when applicable, completion of contracted milestones and transfer of title generally based on:
  - milestone 1 - material acquisition, and/or
  - milestone 2 - completion of casting metal pour, and/or
  - milestone 3 - factory acceptance testing (FAT)

The majority of customer contracts are from the private sector and this accounted for approximately 86% (2021: 78%) of the revenue during FY2022. Sales to government instrumentalities accounted for 13% (2021: 21%). Sales to quasi-government instrumentalities accounted for 1% (2021: 1%).

The geographic distribution of sales for FY2022 was approximately 60% (2021: 69%) derived from customers within Australia and the remaining 40% (2021: 31%) were derived predominantly from customers in the USA, Sweden, UK, Italy, Turkey and Netherlands.

Contracts are received and executed generally within 12 months and hence are considered short term contracts. Period contracts (those that extend greater than 1 year) with customers are executed by discrete purchase orders for required shipments and hence still fall within the definition for short term contracts.

The majority of sales are generated by direct contracts with customers. During the year sales agents were utilised in Europe, MENA, Hong Kong and Southern China, Turkey, South America (gyrostabilizers only) to introduce enquiries and leads. Contracts are then established directly between VEEM Ltd and the customer. Distributors are utilised for propeller sales in the USA, France and Australia, where the distributors purchase from and contract directly with VEEM Ltd.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

### NOTE 2: REVENUE AND EXPENSES (CONT'D)

#### Other expenses

	2022 (\$)	2021 (\$)
Insurance	480,001	465,562
Advertising and marketing	303,559	226,218
Bank Charges	62,543	55,295
Safety and first aid	93,508	83,767
Motor vehicle expenses and boat fuel	100,885	61,957
Accounting and secretarial	105,282	177,615
Non-executive director fees	331,498	309,600
Share based payments	24,722	-
(Profit)/Loss on disposal property, plant and equipment	(13,447)	15,632
Other general expenses	416,578	550,953
	<u>1,905,129</u>	<u>1,874,867</u>

### NOTE 3: INCOME TAX

#### Income tax recognised in profit or loss

The major components of tax expense are:

	2022 (\$)	2021 (\$)
Current tax expense	(142,233)	174,129
Deferred tax expense relating to the origination and reversal of temporary differences	276,238	822,860
Total tax expense	<u>134,005</u>	<u>996,989</u>

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

Accounting profit before income tax	1,399,844	5,908,164
Income tax expense calculated at FY2022 30% (FY2021 30%)	419,953	1,772,449
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
• Prior year overprovision of income tax	285,145	14,878
• Change in tax rate	-	232,531
• Effect of expenses that are not deductible in determining taxable profit	482,475	704,264
• Effect of concessions – research and development	(1,053,568)	(1,727,133)
Income tax (benefit)/expense reported in the statement of profit or loss and other comprehensive income	<u>134,005</u>	<u>996,989</u>

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities with turnover greater than \$50 million on taxable profits under Australian tax law.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

### NOTE 3: INCOME TAX (CONT'D)

#### Current tax receivables comprise:

	2022 (\$)	2021 (\$)
Income tax receivable/(payable)	182,610	522,162

#### Deferred tax assets comprise:

Annual leave payable	589,496	537,134
Provisions	372,455	356,223
Accrued expenses	284,007	159,902
Unrealised foreign exchange loss / (gain)	48,924	(11,409)
Black hole expenditure and borrowing costs	187	813
Timing difference between Right of Use assets and Lease liabilities	337,916	258,947
Loss carried forward	170,276	-
Unclaimed research and development concessions	1,053,568	-
	<u>2,856,829</u>	<u>1,301,610</u>

#### Deferred tax liabilities comprise:

Depreciable property, plant and equipment	5,721,283	4,113,886
Patents	(361)	15,341
	<u>5,720,922</u>	<u>4,129,227</u>

#### Reconciliation of deferred tax assets/(liabilities):

	Opening balance	Charged to income	Closing balance
30 June 2022	(\$)	(\$)	(\$)
Accrued expenses	159,902	124,105	284,007
Annual leave payable	537,134	52,362	589,496
Provisions	356,223	16,232	372,455
Property, plant and equipment	(4,113,886)	(1,607,397)	(5,721,283)
Unrealised foreign exchange (gain) / loss	(11,409)	60,333	48,924
Black hole expenditure and borrowing costs	813	(626)	187
Patents	(15,341)	15,702	361
Losses carried forward	-	170,276	170,276
Unclaimed research and development concessions	-	1,053,568	1,053,568
Timing difference between Right of Use assets and Lease Liabilities	<u>258,947</u>	<u>78,969</u>	<u>337,916</u>
	<u>(2,827,617)</u>	<u>(36,476)</u>	<u>(2,864,093)</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

### NOTE 3: INCOME TAX (CONT'D)

	Opening balance	Change in Tax Rate	Charged to income	Closing balance
30 June 2021	(\$)	(\$)	(\$)	(\$)
Accrued expenses	88,618	8,056	63,228	159,902
Annual leave payable	379,294	34,481	123,359	537,134
Provisions	332,381	30,216	(6,374)	356,223
Property, plant and equipment	(3,563,643)	(323,968)	(226,275)	(4,113,886)
Unrealised foreign exchange (gain) / loss	(6,296)	(572)	(4,541)	(11,409)
Black hole expenditure and borrowing costs	86,489	7,863	(93,539)	813
Patents	(32,057)	(2,914)	19,630	(15,341)
Unclaimed research and development concessions	553,090	50,281	(603,371)	-
Timing difference between Right of Use assets and Lease liabilities	<u>157,369</u>	<u>14,306</u>	<u>87,272</u>	<u>258,947</u>
	<u>(2,004,755)</u>	<u>(182,251)</u>	<u>(640,611)</u>	<u>(2,827,617)</u>

### NOTE 4: SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of Directors of VEEM Ltd.

The Board 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 operational 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 profit or loss and other 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 two customers where the revenue from those customers was in excess of 10% of the Company's revenue. Customer A generated 13% (2021: 21%) and Customer B generated 12% (2021: 16%) of the Company's revenue for the year.

Although the Company is managed as a single business segment, sales revenue of \$54,197,245 (2021: \$59,454,820) can be broken down into the following sales categories. Propulsion and stabilization consists of the manufacture of new propellers, shaft lines, gyrostabilizers and marine ride control fins. The sales in this category were \$30,782,724 (2021: \$33,260,193). Defence related sales for FY2022 totalled \$14,333,519 (2021: 23,469,731) with \$4,916,592 (2021: \$8,947,791) of those sales being both within the defence and propulsion/stabilization categories. Sales of engineering products and services (non-defence) for FY2022 were \$13,997,595 (2021: \$11,672,687).



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

### NOTE 5: EARNINGS PER SHARE

#### Basic earnings per share

	2022	2021
	Cents per share	Cents per share
Basic earnings per share	0.93	3.78

There are no diluted earnings per share.

#### Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share is as follows:

	2022 (\$)	2021 (\$)
Earnings		
Earnings from continuing operations	1,265,839	4,911,175
	2022	2021
	Number	Number
Weighted average number of ordinary shares for the purpose of basic earnings per share	135,719,452	130,000,000

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

### NOTE 6: DIVIDENDS

	2022 (\$)	2021 (\$)
Fully franked dividends paid	-	-
Unfranked dividends paid	680,000	851,500
Total dividends paid	<u>680,000</u>	<u>851,500</u>

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

### NOTE 7: CASH AND CASH EQUIVALENTS

	2022 (\$)	2021 (\$)
Cash at bank	2,631,502	2,232,276
Cash on hand	800	800
	<u>2,632,302</u>	<u>2,233,076</u>

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.

#### Non-cash financing and investing activities

The Company purchased assets with a value of \$4,123,136 (2021: \$202,944) which were financed through hire purchase.

#### Cash balances not available for use

All cash balances are available for use.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

### NOTE 7: CASH AND CASH EQUIVALENTS (CONT'D)

#### Reconciliation of profit for the year to net cash flows from operating activities

	2022 (\$)	2021 (\$)
Net profit for the year	1,265,839	4,911,175
Depreciation and amortisation expense	4,021,791	3,637,309
Profit / Loss on sale or disposal of non-current assets, property, plant & equipment	(13,447)	15,594
Provision for employee leave benefits	(63,328)	787,610
Foreign exchange (gain)/loss	(117,485)	562,773
Share based payments	24,722	-
(Increase)/decrease in assets:		
Trade and other receivables (includes change in suppliers paid in advance)	987,858	(1,902,662)
Inventories (includes change in progress billings)	(4,600,749)	(4,753,115)
Increase/(decrease) in liabilities:		
Trade and other payables	496,837	1,565,406
Current and deferred tax	376,029	1,463,276
GST payable	141,196	5,349
Net cash inflow from operating activities	2,519,263	6,292,715

#### Changes in liabilities arising from financing activities

	Bank loans (\$)	Hire Purchase liability (\$)	Lease liability (\$)	Total (\$)
Balance as at 30 June 2020	7,400,000	1,513,497	14,128,424	23,041,921
Net cash from (used in) financing activities	(900,000)	(1,045,703)	(1,257,731)	(3,203,434)
Acquisition of plant and equipment by means of hire purchase	-	202,944	-	202,944
Balance as at 30 June 2021	6,500,000	670,738	12,870,693	20,041,431
Net cash from (used in) financing activities	(1,100,000)	(685,138)	(1,317,782)	(3,102,920)
Acquisition of plant and equipment by means of hire purchase	-	4,123,136	-	4,123,136
Remeasurement of lease liabilities	-	-	604,965	604,965
Balance as at 30 June 2022	5,400,000	4,108,736	12,157,876	21,666,612

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

### NOTE 8: TRADE AND OTHER RECEIVABLES

	2022 (\$)	2021 (\$)
Trade receivables (i)	10,042,180	9,561,199
GST recoverable	258,918	253,688
Other receivables	26,905	5,648
	<u>10,328,003</u>	<u>9,820,535</u>

(i) the average credit period on sales of goods and rendering of services is 15-60 days

#### *Aging of past due but not impaired*

	2022 (\$)	2021 (\$)
60 – 90 days	107,464	486,113
90 – 120 days	114,727	130,508
Total	<u>222,191</u>	<u>616,621</u>

#### *Expected credit losses*

The Company applies the AASB 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to the geographical location of customers.

The expected loss rates are based on the payment profile for sales over the past 48 months before 30 June 2022 and 30 June 2021 respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding.

Trade receivables are written off when there is no reasonable expectation of recovery. Failure to make payments within 180 days from the invoice date and failure to engage with the Company on alternative payment arrangements are considered indicators of low reasonable expectation of recovery.

Where commercially sensible and available, VEEM Ltd takes out credit insurance against its overseas receivables.

On the above basis, a provision for expected credit losses as at 30 June 2022 is not required as it is not material to the financial statements (30 June 2021: Nil).



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

### NOTE 9: INVENTORIES

	2022 (\$)	2021 (\$)
Work in progress – over time	6,339,411	8,451,146
Work in progress – point in time	2,710,818	711,362
	9,050,229	9,162,508
Less: progress billings	(6,690,719)	(8,263,159)
	2,359,510	899,349
Goods for resale, raw materials and stores	15,233,420	12,092,832
	<u>17,592,930</u>	<u>12,992,181</u>

During the year, the Company recognised revenue of \$9,603,509 (2021: \$7,778,743) in relation to the prior years' work in progress.

### NOTE 10: OTHER ASSETS

	2022 (\$)	2021 (\$)
Prepayments	446,057	499,266
Supplies paid in advance	746,806	2,183,692
	<u>1,192,863</u>	<u>2,682,958</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

### NOTE 11: PROPERTY, PLANT AND EQUIPMENT

	Plant and Equipment (\$)	Motor Vehicles (\$)	Capital Work in Progress (\$)	Computer Equipment (\$)	Total (\$)
<b>As at 30 June 2021</b>					
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)
<b>Closing carrying amount</b>	<b>12,206,880</b>	<b>186,144</b>	<b>213,741</b>	<b>311,175</b>	<b>12,917,940</b>
<b>Year ended 30 June 2022</b>					
Opening carrying amount	12,206,880	186,144	213,741	311,175	12,917,940
Additions	5,022,418	-	907,703	100,841	6,030,962
Disposals	(40,387)	(28,629)	-	(40,150)	(109,166)
Depreciation charge	(1,634,519)	(11,452)	-	(104,435)	(1,750,406)
<b>Closing carrying amount</b>	<b>15,554,392</b>	<b>146,063</b>	<b>1,121,444</b>	<b>267,431</b>	<b>17,089,330</b>
<b>As at 30 June 2022</b>					
Cost	42,801,525	662,767	1,121,444	1,785,906	46,371,642
Accumulated Depreciation	(27,247,133)	(516,704)	-	(1,518,475)	(29,282,312)
<b>Carrying amount</b>	<b>15,554,392</b>	<b>146,063</b>	<b>1,121,444</b>	<b>267,431</b>	<b>17,089,330</b>

### NOTE 12: INTANGIBLE ASSETS

	Other Intellectual Property (\$)	Product Development (\$)	Total (\$)
<b>As at 30 June 2021</b>			
Cost	946,425	16,693,904	17,640,329
Accumulated amortisation	(540,464)	(1,394,819)	(1,935,283)
<b>Closing carrying amount</b>	<b>405,961</b>	<b>15,299,085</b>	<b>15,705,046</b>
<b>Year ended 30 June 2022</b>			
Opening carrying amount	405,961	15,299,085	15,705,046
Net additions	9,970	3,028,416	3,038,386
Amortisation charge	(172,256)	(518,117)	(690,373)
<b>Closing carrying amount</b>	<b>243,674</b>	<b>17,809,384</b>	<b>18,053,058</b>
<b>As at 30 June 2022</b>			
Cost	956,395	19,722,319	20,678,714
Accumulated amortisation	(712,721)	(1,912,935)	(2,625,656)
<b>Carrying amount</b>	<b>243,674</b>	<b>17,809,384</b>	<b>18,053,058</b>

No impairment loss was recognised in the 2022 financial year (2021: \$Nil).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

### NOTE 12: INTANGIBLE ASSETS (CONT'D)

#### Impairment assessment

The sales of gyrostabilizers for the year were below budget representing an indicator of possible impairment of the Company's intangible gyrostabilizer product development assets under AASB 136.

The recoverable amount of the intangible gyrostabilizer product development assets was reviewed against the carrying value for impairment. Following the review, the Directors have determined that the recoverable amount exceeds the carrying value and that no impairment exists. The recoverable amount estimation was based on the estimated value in use with a discount rate of 10% applied to the cash flow projections from the sales of the gyrostabilizer product range and was determined at the cash-generating unit level. The cash generating unit consists of intangible assets of \$17,320,004, property, plant and equipment of \$1,801,694, plant and equipment capital work in progress of \$1,121,444, right of use asset of \$2,338,810 and lease liability of \$2,592,245. The key patents in place currently for the range of gyrostabilizers expire in February 2031 and this is the period used for calculating the recoverable amount.

### NOTE 13: RIGHT-OF-USE ASSETS

	Premises \$	Total \$
<b>As at 30 June 2021</b>		
Cost	15,486,397	15,486,397
Accumulated depreciation	(3,377,933)	(3,377,933)
Carrying amount	12,108,464	12,108,464
	2022 (\$)	2021 (\$)
Opening balance	12,108,464	13,657,103
Remeasurement of lease liability (i)	604,965	-
Depreciation	(1,581,012)	(1,548,639)
Closing balance	11,132,417	12,108,464

- (i) From 30 June 2022, the company leased an additional 207 square metres with additional high-capacity concrete hardstand of 540 square metres at its 22 Baile Road leased premises at the same rate as its current lease, this resulted in an increase in the lease liability and right of use asset of \$604,965. All other terms of the lease remain the same.

	Premises \$	Total \$
<b>As at 30 June 2022</b>		
Cost	16,091,362	16,091,362
Accumulated depreciation	(4,958,945)	(4,958,945)
Carrying amount	11,132,417	11,132,417

	Premises \$	Total \$
<b>As at 30 June 2021</b>		
Cost	15,486,397	15,486,397
Accumulated depreciation	(3,377,933)	(3,377,933)
Carrying amount	12,108,464	12,108,464

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

### NOTE 14: TRADE AND OTHER PAYABLES (CURRENT)

	2022 (\$)	2021 (\$)
Trade payables (i)	4,411,999	4,326,074
Annual leave payable	1,964,988	1,790,447
GST payable	442,802	296,376
Other creditors	1,125,385	1,081,695
	<u>7,945,174</u>	<u>7,494,592</u>

(i) Trade payables are non-interest bearing and are normally settled on 30-day terms. Information regarding the interest rate, foreign exchange and liquidity risk exposure is set out in Note 20.

### NOTE 15: BORROWINGS

	2022 (\$)	2021 (\$)
Current		
Commercial facility (a)	-	1,200,000
Floating rate loan facility (b)	400,000	-
Hire purchase liability	1,112,917	295,552
Less: Unexpired charges	(125,520)	(26,399)
	<u>1,387,397</u>	<u>1,469,153</u>
Non-current		
Commercial facility (a)	-	5,300,000
Loan facility – Daily Rate (c)	5,000,000	-
Hire purchase liability	3,301,915	423,735
Less: Unexpired charges	(180,576)	(22,150)
	<u>8,121,339</u>	<u>5,701,585</u>

(a) On 21 June 2022 the Company entered into new banking facilities as set out below. The existing Commercial facility was effectively repaid.

(b) The Company has a Floating Rate Loan Facility with a limit of \$2,400,000. The Loan Facility is repayable by 1 July 2024. \$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 1.30% per annum is charged monthly and a line fee of 0.50% per annum of the Facility Limit is payable quarterly in arrears. The interest rate is currently at 1.88% (June 2021: 2.01% on Commercial facility). The facility is reviewed on an annual basis. At 30 June 2022, the Company had \$2,000,000 (2021: \$nil) available in undrawn committed borrowing facilities under the Loan Facility in respect of which all conditions precedent had been met.

(c) The Company has a Loan Facility – Daily Rate with a limit of \$5,000,000. The Loan Facility is repayable on the termination date of 1 October 2024. Interest at the base rate plus 1.65% per annum is charged and paid monthly. The interest rate is currently at 3.55%. The facility is fully drawn and is reviewed on an annual basis.

(d) The Company has an Overdraft Facility with a limit of \$3,400,000. Interest at the base rate plus 2.60% per annum is charged monthly. A line fee of 0.50% per annum of the Facility Limit is payable quarterly in arrears. The facility is reviewed on an annual basis. At 30 June 2022, the Company had available \$3,400,000 of undrawn overdraft facilities. In addition, there is an Electronic Payments Facility with a limit of \$300,000. At 30 June 2022, the Company had available \$300,000 under this facility.

The bank overdraft and commercial facility are secured by a registered first mortgage over the assets and undertakings of the Company. The Company complied with all banking covenants during the financial year.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

### NOTE 15: BORROWINGS (CONT'D)

#### Financing facilities available

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

	2022 (\$)	2021 (\$)
Total facilities		
• Overdraft facility	3,400,000	3,400,000
• Commercial facility	-	6,500,000
• Loan facility – Daily Rate	5,000,000	-
• Electronic payments facility	300,000	300,000
• Floating rate loan facility	2,400,000	-
• Commercial card facility	50,000	50,000
	<u>11,150,000</u>	<u>10,250,000</u>
Facilities used at balance date		
• Overdraft facility	-	-
• Commercial facility	-	6,500,000
• Loan facility – Daily Rate	5,000,000	-
• Electronic payments facility	400,000	-
• Floating rate loan facility	-	-
• Commercial card facility	-	47,969
	<u>5,400,000</u>	<u>6,547,969</u>
Facilities unused at balance date		
• Overdraft facility	3,400,000	3,400,000
• Commercial facility	-	-
• Loan facility – Daily Rate	-	-
• Electronic payments facility	300,000	300,000
• Floating rate loan facility	2,000,000	-
• Commercial card facility	50,000	2,031
	<u>5,750,000</u>	<u>3,702,031</u>
Total facilities		
• Facilities used at balance date	5,400,000	6,547,969
• Facilities unused at balance date	5,750,000	3,702,031
	<u>11,150,000</u>	<u>10,250,000</u>

The carrying value of plant and equipment held under hire purchase contracts at 30 June 2022 is \$4,108,737 (2021: \$670,738). Additions during the year include \$4,123,136 (2021: \$202,944) of plant and equipment held under hire purchase contracts.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

### NOTE 16: LEASE LIABILITIES

<b>30 June 2022</b>	<b>Premises \$</b>	<b>Total \$</b>
Current liabilities	1,491,012	1,491,012
Non-current liabilities	10,666,864	10,666,864
	<u>12,157,876</u>	<u>12,157,876</u>

<b>30 June 2021</b>	<b>Premises \$</b>	<b>Total \$</b>
Current liabilities	1,312,232	1,312,232
Non-current liabilities	11,558,461	11,558,461
	<u>12,870,693</u>	<u>12,870,693</u>

Reconciliation	<b>Premises \$</b>	<b>Total \$</b>
Balance at 1 July 2020	14,128,424	14,128,424
Principal repayments	(1,257,731)	(1,257,731)
Balance at 30 June 2021	<u>12,870,693</u>	<u>12,870,693</u>
Principal repayments	(1,317,782)	(1,317,782)
Remeasurement of lease liability (i)	604,965	604,965
Closing balance 30 June 2022	<u>12,157,876</u>	<u>12,157,876</u>

The average lease term to expiry is 7 years.

- (i) From 30 June 2022, the company leased an additional 207 square metres with additional high-capacity concrete hardstand of 540 square metres at its 22 Baile Road leased premises at the same rate as its current lease, this resulted in an increase in the lease liability and right of use asset of \$604,965. All other terms of the lease remain the same.

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

	<1 year	1-5 years	>5 years	Total
Lease payments due 30 June 2022	\$	\$	\$	\$
Net present values	1,491,012	6,954,122	3,712,742	12,157,876
Interest	396,163	1,021,430	124,499	1,542,092
Lease payments	<u>1,887,175</u>	<u>7,975,552</u>	<u>3,837,241</u>	<u>13,699,968</u>

Total cash outflow relating to leases for the period ended 30 June 2022 was \$1,742,958 of which \$1,317,782 related to principal payments, \$425,176 related to interest.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

### NOTE 17: PROVISIONS

	2022 (\$)	2021 (\$)
Current		
Employee benefits	1,138,060	1,124,204
Advertising and Marketing	5,000	10,000
After-sales costs	590,497	707,931
Commissioning costs	98,456	-
	<u>1,832,013</u>	<u>1,842,135</u>
Non-Current		
Commissioning costs	-	53,206
Lease Restoration	100,929	100,929
	<u>100,929</u>	<u>154,135</u>
	2022 (\$)	2021 (\$)
Employee benefits (i)		
Balance at beginning of year	1,124,204	1,107,730
Net movements	13,856	16,474
Balance at the end of year - Current	<u>1,138,060</u>	<u>1,124,204</u>
(i) The provision for employee benefits represents long service leave entitlements accrued.		
Provision for Restoration		
Balance at beginning of year	100,929	100,929
Net movements	-	-
Balance at the end of the year - Non-current	<u>100,929</u>	<u>100,929</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

### NOTE 18: ISSUED CAPITAL

#### a) Issued and paid up capital

	2022 (\$)	2021 (\$)
135,719,452 (2021: 130,000,000) Ordinary shares issued and fully paid	11,509,613	5,140,616

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised 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 Purchase 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

	Year to 30 June 2022		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	<b>135,719,452</b>	<b>11,509,613</b>	<b>130,000,000</b>	<b>5,140,616</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

### NOTE 19: SHARE-BASED PAYMENT RESERVE

During the year the Company had a share-based payment Performance Rights and Options Plan which provided that the Board of the Company may, from time to time, in its absolute discretion, make an offer to any Eligible Participant to apply for Performance Rights or Options, upon the terms set out in the Performance Rights and Options Plan and upon such additional terms and conditions as the Board determined.

In exercising that discretion, the Board may have regard to the following (without limitation):

- (i) The Eligible Participant' s length of service with the Company;
- (ii) The contribution made by the Eligible Participant to the Company;
- (iii) The potential contribution of the Eligible Participant to the Company; or
- (iv) Any other matter the Board considers relevant.

The share-based payment reserve 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 be eligible to vest at each reporting date.

Grant date	Vesting date	Expiry date	Beneficiary	Balance at 1 July 2021	Granted during period	Exercised during period	Forfeited / lapsed during period	Balance 30 June 2022
6 Jul 2021	6 Jul 2022	14 Aug 2024	D Rich	-	50,000	-	-	50,000
6 Jul 2021	6 Jul 2023	14 Aug 2024	D Rich	-	50,000	-	-	50,000
6 Jul 2021	6 Jul 2024	14 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.

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

The total value of the vesting expense for these performance options is \$75,176 and a vesting expense of \$24,722 was recorded for 30 June 2022 with the balance vesting on remaining vesting periods.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

## NOTE 20: FINANCIAL INSTRUMENTS

### Capital risk management

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

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

The Company is not subject to externally imposed capital requirements.

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

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

### Categories of financial instruments

	2022 (\$)	2021 (\$)
<b>Financial assets</b>		
Cash and cash equivalents	2,632,302	2,233,076
Trade and other receivables	10,328,003	9,820,535
<b>Financial liabilities</b>		
Trade and other payables	7,945,174	7,494,592
Borrowings – bill facility	-	6,500,000
Floating rate loan facility	400,000	-
Loan facility – Daily Rate	5,000,000	-
Hire purchase liability	4,108,736	670,738
Lease liability	12,157,876	12,870,693
Derivative liability	192,682	-

### Financial risk management objectives

The Company is exposed to market risks (including foreign currency risk, fair value risk and interest rate risk), credit risk and liquidity risk.

### Foreign currency risk management

The Company undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. The Company's main exposures are to US Dollar (USD), Euro (EUR), and Great British Pound (GBP) currency fluctuations impacting cash on hand, debtors and creditors. VEEM has a global supply program and a large portion of the USD and GBP exposures are reduced by the Company's operations having a natural hedge with materials purchased and sold in the same currency, with the major exposure being to the US Dollar exchange rate.

The Company's sensitivity to foreign exchange has increased from the prior year. Propeller sales are denominated 46% in USD (2021: 32%), 12% in GBP (2021: 10%) and 12% in EUR (2021: 6%) hence increases in propeller sales will increase exposure to exchange rate movements. As all gyrostabilizer sales are in USD, and only part of the costs provides a natural hedge, the exposure to USD will increase in line with gyrostabilizer revenue increases.

During the first half of the financial year the Board adopted a policy of hedging net foreign currency exposures using forward contracts. As at 30 June 2022 there were forward exchange contracts in place for USD 3,655,453, EUR 105,000 and GBP 42,350 (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. There is a derivative liability of \$192,682 (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.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

### NOTE 20: FINANCIAL INSTRUMENTS (CONT'D)

	<u>Cash (\$)</u>	<u>Receivables (\$)</u>	<u>Payable (\$)</u>	<u>Total Asset/ (Liability) (\$)</u>
USD	953,864	2,216,092	310,649	2,859,306
• Impact of a 5% increase to profit or loss				(142,965)
• Impact of a 5% decrease to profit or loss				142,965
EUR	487,799	517,323	2,309	1,002,813
• Impact of a 5% increase to profit or loss				(50,141)
• Impact of a 5% decrease to profit or loss				50,141
GBP	37,441	511,461	1,656,116	(1,107,215)
• Impact of a 5% increase to profit or loss				55,361
• Impact of a 5% decrease to profit or loss				(55,361)

The Company also manages market risk generally by keeping abreast of factors affecting its market on a continual basis. Business improvement practices continually evolve.

#### Interest rate risk management

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

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

#### Interest rate risk sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the balance date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 100 basis point (2021: 50 basis points) increase or decrease has been used to assess the sensitivity to interest rate risk as this represents management's assessment of the potential change in interest rates.

If interest rates had been 100 basis points higher or lower throughout the year, and all other variables were held constant, the Company's net profit would increase by \$58,800 and decrease by \$58,800 (2021: \$36,000 at 50 basis points) respectively. This is attributable to the Company's exposure to interest rates on its variable rate borrowings.

The Company's sensitivity to interest rates on its variable rate debt instruments has reduced as the level of variable rate debt has reduced since 30 June 2021. Interest rates on Hire Purchase agreements are fixed for the term of the agreement. New Hire Purchase agreements entered into during the year were at higher interest rates than the prior year reflecting the increase in interest rate over the year.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

### NOTE 20: FINANCIAL INSTRUMENTS (CONT'D)

#### Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties, and obtaining sufficient collateral or credit insurance where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where readily available and, if not available, the Company uses publicly available financial information and its own trading record to rate its major customers.

The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties where appropriate. Credit exposure is controlled by counterparty limits that are reviewed and approved by management annually.

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

Where commercially sensible and available, VEEM Ltd takes out credit insurance against its overseas receivables and selected Australian receivables.

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

#### Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 15 is a listing of additional undrawn facilities that the Company has at its disposal as part of its management of liquidity risk.

The following table details the Company's expected contractual maturity for its non-derivative financial liabilities. These have been drawn up based on undiscounted contractual maturities of the financial liabilities based on the earliest date the Company can be required to repay. The tables include both interest and principal cash flows.

		1 year or less	1-5 years	5+ years
	%	\$	\$	\$
<b>30 June 2022</b>				
Non-interest bearing – Trade and other payables		7,945,174	-	-
Fixed interest rate – Hire purchase liabilities	3.59	1,112,917	3,301,915	-
Fixed interest rate – Lease liabilities	3.45	1,887,175	7,975,552	3,837,241
Loan facility – Daily Rate	3.35	-	5,000,000	-
Floating rate loan facility	1.88	400,000	-	-
		11,345,266	16,277,467	3,837,241
<b>30 June 2021</b>				
Non-interest bearing – Trade and other payables		7,494,592	-	-
Fixed interest rate – Hire purchase liabilities	4.4	295,552	423,735	-
Fixed interest rate – Lease liabilities	3.45	1,735,784	7,407,036	5,617,653
Variable interest rate – Bill facility and bank overdraft	2.01	1,200,000	5,300,000	-
		10,725,928	13,130,771	5,617,653

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

### NOTE 20: FINANCIAL INSTRUMENTS (CONT'D)

#### Fair value measurement

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

#### Hire purchase commitments

The Company has hire purchase contracts for various items of plant and machinery. These contracts have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease.

Future minimum payments under hire purchase contracts together with the present value of the net minimum contract payments are as follows:

	2022 (\$)	2021 (\$)
Hire purchase commitments payable		
- within one year	1,112,917	295,552
- after one year but not more than five years	3,301,915	423,735
Minimum hire purchase payments	4,414,832	719,287
Less: Unexpired charges	(306,096)	(48,550)
Present value of net minimum lease payments	4,108,736	670,737
Represented by:		
Current	987,397	269,153
Non-current	3,121,339	401,584
	4,108,736	670,737

#### Capital commitments

At 30 June 2022 the Company had \$4,038,050 of capital commitments (2021: \$3,972,965).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

### NOTE 21: RELATED PARTY DISCLOSURE

The Company's related parties include key management personnel and their related entities as described below. The aggregate compensation for Directors and other key management personnel of the Company are set out below:

	2022 (\$)	2021 (\$)
Short-term employee benefits	1,440,606	1,047,872
Other long-term benefits	119,268	82,396
Share based payments	24,722	-
	1,584,596	1,130,268

#### Key management personnel transactions

The Company has two lease agreements with Voyka Pty Ltd, an entity controlled by an entity related to Mr Mark Miocevic and Mr Brad Miocevic. The Company pays Voyka Pty Ltd current monthly rent of \$156,320 monthly excluding GST which is exclusive of any outgoings including rates, taxes, insurance premiums and maintenance costs. The leases end in 2029 and are on commercial terms.

During the year Mr Mark Miocevic placed orders worth \$25,672 with the Company on normal commercial terms.

Lumos Marketing, which is owned by a related party of Mr Mark Miocevic, provided \$100,620 (2021 \$68,303) of marketing services to the Company on normal commercial terms.

### NOTE 22: SUBSIDIARIES AND JOINT VENTURES

Name of subsidiary / joint venture	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
Microtherm Pty Ltd	Dormant	Australia	50%	50%
VEEM Marine (Europe) B.V.	Marketing, sales and after-sales service of marine propulsion and stabilization products and systems	Netherlands and Europe	100%	N/A

Neither Microtherm Pty Ltd nor VEEM Marine (Europe) B.V. had any transactions during the financial year or balances at 30 June 2022 and neither have been consolidated.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

### NOTE 23: AUDITOR'S REMUNERATION

The auditor of VEEM Limited is HLB Mann Judd.

	2022 (\$)	2021 (\$)
Audit or review of the financial statements	85,731	83,500
Tax compliance services	32,550	39,900
Other services	-	1,500
	<u>118,281</u>	<u>124,900</u>
Other services provided by network firms of the auditor HLB Den Hartog	<u>12,535</u>	-

### NOTE 24: SUBSEQUENT EVENTS

No matters or circumstances have arisen since the end of the financial year which have significantly affected or may significantly affect the operating of the Company, the results of those operations, or state of affairs of the Company in future financial years apart from those listed below:

1. On 18 August 2022 the Company declared an unfranked ordinary dividend of \$285,000 representing \$0.0021 per share.

### NOTE 25: CONTINGENCIES

The company has no material contingent liabilities or assets as at 30 June 2022 (2021: \$Nil).



## DIRECTORS' DECLARATION

1. In the opinion of the Directors of VEEM Limited (the 'Company'):

- a. the accompanying financial statements and notes are in accordance with the Corporations Act 2001 including:
  - i. giving a true and fair view of the Company's financial position as at 30 June 2022 and of its performance for the year then ended; and
  - ii. complying with Australian Accounting Standards, the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements.
- b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2022.

This declaration is signed in accordance with a resolution of the board of Directors.



Mark David Miocevic  
Managing Director

Dated this 18 August 2022

## INDEPENDENT AUDITOR'S REPORT

To the Members of VEEM Ltd

### Report on the Audit of the Financial Report

#### *Opinion*

We have audited the financial report of VEEM Ltd ("the Company") which comprises the statement of financial position as at 30 June 2022, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Company's financial position as at 30 June 2022 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### *Basis for Opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit 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* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

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Key Audit Matter	How our audit addressed the key audit matter
<p><b>Carrying amount of the intangible asset (product development expenditure)</b> Note 12 of the financial report</p> <p>The Company has an intangible asset in relation to capitalised expenditure on the development of gyroscopic stabilizers with a carrying value of \$17.8 million.</p> <p>Sales revenue from gyrostabilizers for the year were below budget representing an indicator of possible impairment under AASB 136 Impairment of Assets. As a result, an impairment assessment was conducted by management. The outcome of this assessment was that no impairment was required.</p> <p>The impairment assessment conducted under AASB 136 involved a comparison of the recoverable amount of the cash generating unit to which the balance was allocated to the carrying amount of the related items in the balance sheet. Recoverable amount was based upon the higher of fair value less costs of disposal and value-in-use.</p> <p>The evaluation of recoverable amount is considered a key audit matter as it was based upon a value-in-use calculation which required significant judgement and estimation. In addition, the balance is material to the users of the financial statements and involved the most communication with management.</p>	<p>Our procedures included but were not limited to the following:</p> <ul style="list-style-type: none"> <li>- Critically evaluating management’s methodology in the value-in-use model and the basis for key assumptions;</li> <li>- Reviewing the mathematical accuracy of the value-in-use model;</li> <li>- Performing sensitivity analyses around the key inputs used in the model;</li> <li>- Considering the appropriateness of the discount rate used;</li> <li>- Comparing value-in-use to the carrying amount of the cash-generating unit; and</li> <li>- Assessing the appropriateness of the disclosures included in the relevant notes to the financial report.</li> </ul>
<p><b>Revenue recognition</b> Note 2 of the financial report</p> <p>The Company has two distinct categories of revenue being revenue with performance obligations recognised at a point in time and revenue with performance obligations recognised over time.</p> <p>We focused on this area as a key audit matter due to the number and type of estimation events that may occur over the course of a contract life, leading to complex and judgemental revenue recognition and the direct impact on profit.</p>	<p>Our procedures included but were not limited to the following:</p> <ul style="list-style-type: none"> <li>- We examined and tested the Company’s key controls over revenue and related work-in-progress;</li> <li>- We assessed a sample of the Company’s key contracts to determine if we concurred with management’s assessment of performance obligations, the transaction price and any contract liabilities that may arise, the allocation of the transaction price, and when to recognise revenue, either at a point in time, or over time;</li> <li>- For a sample of contracts designated for over time recognition, we assessed the</li> </ul>



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- 
- methodology and accuracy of recognising profit at the stage of completion at balance date;
- We substantiated revenue transactions on a sample basis by agreeing the transaction to the customer's contract, purchase order, sales invoice, delivery docket, customer certification report, and bank receipt, where relevant;
  - We tested the appropriateness of progress claims on a sample basis; and
  - We assessed the adequacy of the Company's disclosures in the financial report.
- 

*Information Other than the Financial Report and Auditor's Report Thereon*

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2022 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of the Directors for the Financial Report*

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

*Auditor's Responsibilities for the Audit of the Financial Report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually

or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



**Report on the Remuneration Report**

*Opinion on the Remuneration Report*

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of VEEM Ltd for the year ended 30 June 2022 complies with section 300A of the *Corporations Act 2001*.

*Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



**HLB Mann Judd**  
**Chartered Accountants**

**Perth, Western Australia**  
**18 August 2022**



**N G Neill**  
**Partner**

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## SHAREHOLDER INFORMATION

Additional information required by the Australian Securities Exchange Ltd Listing Rules and not disclosed elsewhere in this report. This information is current as at 13 September 2022.

### Twenty Largest Shareholders

Rank	Name	Units	% Units
1	VEEM CORPORATION PTY LTD <MIOCEVICH FAMILY A/C>	68,135,593	50.20
2	NATIONAL NOMINEES LIMITED	15,917,523	11.73
3	BOND STREET CUSTODIANS LIMITED <SALTER · D79836 A/C>	10,500,000	7.74
4	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	7,365,680	5.43
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,070,624	2.26
6	UBS NOMINEES PTY LTD	3,000,002	2.21
7	BOND STREET CUSTODIANS LIMITED <RSALTE · V57322 A/C>	1,041,670	0.77
8	BOND STREET CUSTODIANS LIMITED <RSALTE · V39117 A/C>	650,000	0.48
9	BOND STREET CUSTODIANS LIMITED <RSALTE · D63444 A/C>	540,000	0.40
10	BOND STREET CUSTODIANS LIMITED <RSALTE · D62375 A/C>	500,000	0.37
11	CITICORP NOMINEES PTY LIMITED	499,613	0.37
12	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	460,862	0.34
13	WEEWAC PTY LTD <WARRIOR SUPER FUND A/C>	421,000	0.31
14	BOND STREET CUSTODIANS LIMITED <RSALTE · V37466 A/C>	350,000	0.26
15	ACRES HOLDINGS PTY LTD <NOEL EDWARD KAGI FAMILY A/C>	335,000	0.25
16	REDBROOK NOMINEES PTY LTD	325,000	0.24
17	BOND STREET CUSTODIANS LIMITED <RSALTE · V38491 A/C>	312,510	0.23
17	HONNE INVESTMENTS PTY LIMITED	300,000	0.22
19	MR GRAEME JOHN MEDHURST	250,000	0.18
19	VELKOV FUNDS MANAGEMENT PTY LTD <VICTOR VALUE FUND A/C>	250,000	0.18
<b>Totals: Top 20 holders of ordinary fully paid shares</b>		<b>114,225,077</b>	<b>84.17</b>
<b>Total Remaining Holders Balance</b>		<b>21,494,375</b>	<b>15.83</b>
<b>Total Shares on Issue</b>		<b>135,719,452</b>	

### Distribution of equity security holders

Range	Total holders	Units	% Units
1 - 1,000	336	217,009	0.16
1,001 - 5,000	660	1,901,591	1.40
5,001 - 10,000	280	2,224,040	1.64
10,001 - 100,000	406	12,175,865	8.97
100,001 Over	51	119,200,947	87.83
<b>Total</b>	<b>1,733</b>	<b>135,719,452</b>	<b>100.00</b>

### Marketable Parcels

Number of shareholders holding less than a marketable parcel of ordinary shares is 375.

### Voting Rights

Every ordinary shareholder present in person or by proxy at meetings of shareholders shall have one vote for every share held.

Option holders and Rights holders have no voting rights until the options or rights are exercised.

**Substantial shareholders**

The following shareholders are considered substantial shareholders:

- VEEM Corporation Pty Ltd ATF The Miocevic Family Trust 50.20% of the issued ordinary shares
- Perennial Value Management Limited 12.45% of the issued ordinary shares
- Salter Brothers Emerging Companies Limited 7.74% of the issued ordinary shares

**Restricted securities**

There are no restricted securities.

**Options and Performance Rights**

There are no options on issue. Performance rights on issue are as disclosed in note 19 of the financial report.

**Share buy backs**

There is no current on-market share buyback.

**Corporate Governance Statement**

The Company's 2022 Corporate Governance Statement is available on the Company's website at [www.veem.com.au](http://www.veem.com.au).

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