ANNUAL REPORT 2023

VEEM LTD
ACN 008 944 009

CORPORATE INFORMATION

ABN 51 008 944 009

DIRECTORS

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

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 17, 221 St Georges Terrace
Perth WA 6000
Telephone:
+61 8 9323 2000
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 (WA Partnership)
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

Dear Shareholders,

It is my great pleasure to present to you VEEM Limited's 2023 Annual Report. This year VEEM produced a net profit after tax of $4.1 million on revenue of $59.6 million.

Last year I reported to you that the Company had faced a number of challenges which the Board firmly believed had been met, learnt from and permanent changes embedded into our systems and procedures for the future. It is therefore pleasing to see the FY23 result reflecting these improvements.

I also reported to you last year that we had three new machining centers arriving and hence expected FY23 to be a very strong year for propulsion. The machines and associated equipment and tooling were operational from April and contributed to propeller revenue being up 23% on FY22. In fact, May and June were record months for propeller sales and this strength has continued through July and August 2023.

While we have been making the world's best high-performance propellers for years now, we continue to see new ways to grow the business and improve margins through innovation and opportunity and I look forward to reporting further growth in this business next year.

During the year our gyrostabiliser ('gyro') team worked with our customers to get installations and commissioning of the VEEM gyros completed, thereby ensuring customer satisfaction which will fuel the product's reputation. We are acutely aware that building the VEEM Gyro brand is critical to the adoption of the product across the large vessel markets.

The commercial boat market and offshore workboats in particular, are now understanding of the financial benefits of operating with a gyro, as well as the more obvious comfort and safety factors. This is driving increased inquiries from this sector and can be seen by the exclusive agreement we signed recently with Strategic Marine for supplying our mid-size gyros for their high-tech crew transfer vessels in Asia.

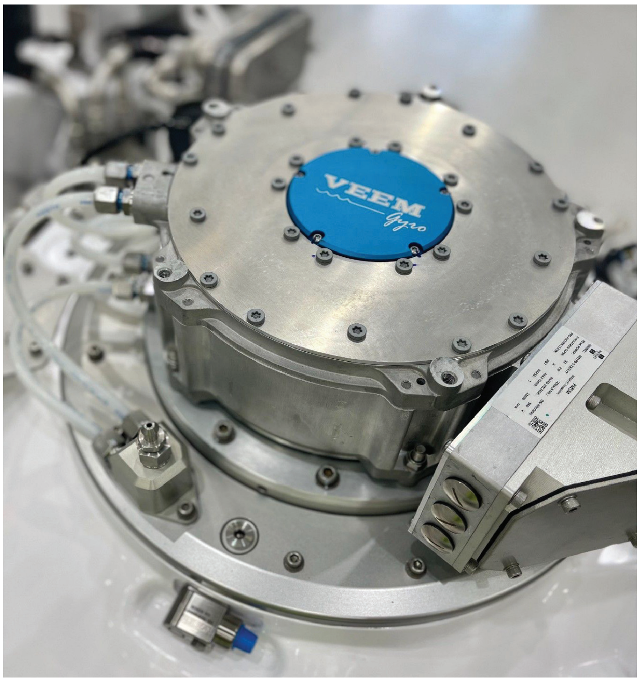
Defence continues to be a key area for VEEM with the recurring Collins Class submarine work and ongoing work with Austal Ships and others. We are currently applying our highly specialised foundry and machining skills to the Hunter Class frigate demonstrator propeller project and see this and the resulting reputation and accreditations as a driver of further opportunities locally and globally.

Once again, our core engineering products and services work was not only a solid contributor to revenue and profit, but also provides in-house innovation, capability and support for the marine and defence businesses.

I am very pleased to report that during the year we invested $9.6 million in capital and development expenditure. The Board sees this, and the annual investments in continuous improvement and research and development, as critical to the future sustainable profitability of VEEM.

With the FY23 results and investments, the Board is excited by the opportunities to grow the marine products business globally while continuing to generate reliable profits and cash flow from the core engineering business.

Finally, I would like to thank all staff and directors for their efforts in delivering the improved profitability in 2023 and look forward to the coming years.



Brad Miocevich

Non-Executive Chairman

8 September 2023

DIRECTORS' REPORT

The Directors present their report together with the financial statements of the Company and its controlled entities ('the Group") for the financial year ended 30 June 2023. 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.

Mr John Bradley Miocevich B.Comm, FAICD

NON-EXECUTIVE CHAIRMAN

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 25 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.

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

MANAGING DIRECTOR

Mark has been a director and senior manager of VEEM for over 40 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.

Mr Ian Henry Barsden CA

NON-EXECUTIVE DIRECTOR

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.

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

NON-EXECUTIVE DIRECTOR

Peter was appointed as a Director of the Company on 12 April 2018. Peter served as Company Secretary of the Company from September 2016 to November 2019. 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 other public companies listed on the ASX, and Australian subsidiaries of overseas listed entities. In addition to his role as Company Secretary, Peter is also Chief Risk Officer of APM Human Services International Limited.

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).

Mr Michael Robert Bailey MSc; CEng; MRINA Independent

NON-EXECUTIVE DIRECTOR

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. From 2000 to 2022 Mike was 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 financials 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

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

CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

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.

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.

	Fully paid ordinary shares
Directors	**Number**
John Bradley Miocevich	68,135,593[1]
Mark David Miocevich	68,135,593[1]
Ian Henry Barsden	53,571
Peter Patrick Torre	72,711
Michael Robert Bailey	115,423

(i) 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.

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 Group during the course of the year were:

- Production, marketing and sales of propulsion and stabilisation systems; and
- Manufacturing bespoke engineered products and services for the marine, defence and mining industries.

REVIEW OF FINANCIAL AND OPERATING PERFORMANCE

FINANCIAL PERFORMANCE

The Group reported Net Profit After Tax (NPAT) for FY23 of $4.1 million (2022: $1.3 million) from revenue of $59.6 million (2022: $54.2 million). Earnings before interest, tax, depreciation and amortisation (EBITDA) was $9.95 million (2021: $6.1 million). Cash flow from operations was $6.1 million (2022: $2.5 million).

The revenue increase during the period was driven by large increases in propeller sales and a large increase in defence revenue. Propeller sales increased 23% due to increased capacity available to meet the strong order book. Defence revenue was significantly higher due to the delivery of the majority of components for a Collins Class submarine full-cycle docking.

In addition to revenue of $59.6 million, work in progress increased by $3.9 million showing an overall activity level for the Group of $63.5 million for FY23.

Net assets increased by $3.2 million to $46.8 million. The Group held cash on hand of $2.4 million at 30 June 2023 (30 June 2022: $2.6 million); has an undrawn overdraft facility of $3.4 million and an undrawn trade loan facility of $0.3 million.

FY23 saw a total of $9.6million of investment in plant and equipment and intangible assets (engineering development) including:

- three new propeller machining centres, associated equipment and tooling
- Large 3D printer
- Large laser scanner
- Product Development including gyro engineering related to product improvement and a small gyro design

This new equipment started to contribute to improved financial performance in the last few months of FY23.

Some new equipment related to improving propeller manufacturing efficiency has been ordered for delivery in 1HFY24.

VEEM spent $2.8 million on formal research and development projects during FY23 with $1.5 million of this being capitalised. VEEM will continue to commit to research and development projects as it sees necessary to remain at the forefront of the markets in which its products are sold.

OPERATIONS

GYROSTABILISERS

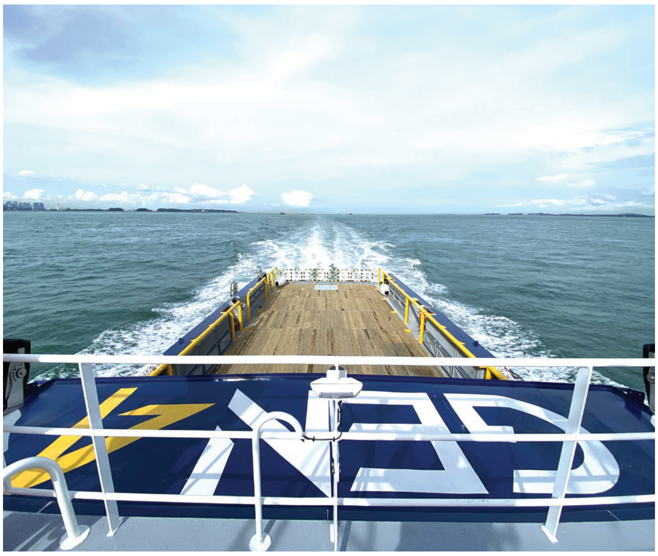
In FY23 VEEM sold 7 gyrostabilisers ("gyros") generating revenue of $5.0 million. A delay in delivery of one gyro from June to July 2023 worth $0.7 million, meant that sales were slightly lower than FY22 ($5.5m). The number of gyros sold in FY23 was lower than FY22 indicating the higher value per gyro sold in FY23. Sales in the second half of FY23 were double that of the first half.

Orders on hand are currently $11 million including the Strategic Marine orders per below.

In June VEEM executed an exclusivity agreement with Strategic Marine for fast crew boats in SE Asia. Under the agreement, Strategic have committed to purchase a minimum of 12 gyros over the next three years. This agreement underscores the value of a gyro in a workboat environment in terms of safety, efficiency, productivity, operability and financially.

The COVID-induced restrictions and slowdowns that inhibited the marketing, selling, servicing and ultimately the adoption rates of this new technology now seem to be largely behind us and FY23 was focussed on marketing and brand-building through three key areas:

- The first half of FY23 saw VEEM exhibiting at the first full-scale METSTRADE Show (Marine Equipment Trade Show) in Amsterdam since 2019. METSTRADE is the world's largest exhibition dedicated to showcasing marine equipment;
- During the second half of FY23 VEEM focussed its marketing spend for its marine products on digital and social media. As an example see Nautistyles on Instagram and youtube.
- With freedom to travel, VEEM stepped up customer service levels through its service technicians visiting customers to ensure that the gyros were commissioned efficiently and the customers were satisfied, particularly those who had been delayed during COVID.



The record number of orders on hand, high rates of qualified leads, evidence of take-up in the small boat recreational market (smaller than VEEM's products) and continual product development provide confidence that wide adoption of the technology is occurring and VEEM is the only manufacturer in the large gyro market with the products to capitalise on this. FY23 saw a growing level of interest in the large gyrostabilisers across all markets as well as more informed inquiries from the commercial workboat sector who are realising the operational and financial benefits of having a gyrostabiliser on board.

After over a decade of research, development and commercialisation, VEEM holds the dominant position as the only major supplier in the large marine gyrostabiliser 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). VEEM continued to invest in the development of its gyro product during FY23.

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 gyrostabilisers that have been developed more as recreational products.

PROPULSION

Demand for VEEM's world-leading fixed pitch propellers continued to be very strong during the year. VEEM's propulsion revenue overall for the year was $24.2 million, an increase of 17% over FY22, with VEEM's propellers alone (excluding conquest and shaft lines) generating $22.2 million – up 23% on FY22.

Installation and commissioning of three new propeller machining centres and associated equipment and tooling was completed in April 2023 with May and June recording record months for propeller sales due to the increased production levels. These three new machines followed the addition of two new machines in FY22 with overall capacity increasing by over 80% since December 2021.

In addition to the machining centres and associated equipment, VEEM has also invested in a large 3D printer, large laser scanner and process improvement to bring further efficiencies to the propeller manufacturing process. Further equipment is on order for 1HFY24.

VEEM continues to develop its processes and pursue new initiatives and opportunities in relation to the propeller business where it can leverage its reputation and client base as the premium product in the market for high-speed, high-performance propellers. 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.

FY23 saw a more stable cost environment than FY21 and FY22 with some increases in raw materials and labour that were able to be passed through to customers by way of quarterly price reviews.

DEFENCE

VEEM continues to be a reliable, local source of highly sophisticated critical components for the Collins Class submarines. Revenue from the submarine program was $12.3 million for FY23 which is up 72% on FY22 due to the delivery of the majority components for a full-cycle docking program in FY23.

Overall defence revenue was $17.0 million, up 19% on FY22. Orders have been received for the next FCD which will mean production of these will occur through FY24.

VEEM is currently working on the Hunter Class Frigate Program (HCFP) demonstrator program for BAE Systems Australia. The value of the demonstrator contract is $1.7 million, with successful completion of the task by Q2 2024 ensuring VEEM qualifies as a supplier to the HCFP. VEEM is one of only two suppliers globally to be able to produce this level of precision.

Success with this project and subsequent high-level defence supplier qualification is expected to lead to further Australian defence work as well as the potential to export equipment for other naval shipbuilding programs around the world, including other Type 26 frigate programs.

VEEM also continues to be awarded contracts for numerous other defence projects including army vehicles and naval projects such as patrol boats (eg. Austal's Evolved Cape Class Patrol Boats).

VEEM continues to monitor developments with AUKUS and other defence initiatives to ensure it is in the best position to win its share of the local precision manufacturing work programs. BAE systems is the prime contractor for the new British AUKUS submarines which are to be used as the template for the new Australian subs.

ENGINEERING PRODUCTS AND SERVICES

The majority of VEEM's traditional engineering business is in the manufacture of foundry-led, precision engineered products. This comprises both the manufacture of customer's designs and the sale and manufacture of VEEM's own hollow bar product (includes forever pipe). Demand generally for foundry-led, precision engineered products was strong throughout FY23 and remains so.

Revenue from VEEM's hollow bar product for FY23 was $6.2 million which is an 11% increase over FY22 due to strong demand and increased capacity. During the second half of FY23 delivery commenced for Latrobe Magnesium's Latrobe Valley Stage 1 Demonstration Plant which will continue over the next three years.

The balance of revenue from engineering products and services was $7.3 million, down 13% from FY22 due primarily to lack of labour hours available to complete orders. May and June saw increased hours worked through a number of initiatives to improve recruitment and retention of staff and this is expected to continue through FY24.

OUTLOOK

The Board is pleased to report that the FY23 financial result was a clear step up from FY22 in terms of revenue and profit, even though there were still challenges around labour capacity.

VEEM invested significantly in capital equipment and research and development during the year as well as implementing a number of labour initiatives. These factors saw material increases in propeller production and revenue specifically and in productive hours more broadly in May and June 2023. These increases have continued into FY24.

Several new managers were also put in place during FY23 and the Board is confident that VEEM is set for another step up in results in FY24.

The outlook for VEEM's large marine gyrostabiliser product remains positive with VEEM holding the 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).

The agreement with Strategic Marine noted above highlights the commercial market for gyrostabilisers is becoming better educated at the operational, HSE and commercial benefits of gyros for crew transfers. Continued investments into marketing, smaller models and further development of the current large gyro range will lead to significant revenue growth and profits in coming years.

VEEM's propellers continue to be the premium product in the fixed pitch propeller market globally. Orders on hand, customer feedback and industry reports all lead VEEM to expect the global demand for VEEM's propellers to remain strong.

The increase in production late in FY23 has continued to date and is expected to continue. Margins are protected against cost increases by regular pricing reviews and there is some new equipment on order which is expected to further increase efficiencies and margins.

VEEM is currently assessing the potential for further expansion of VEEM's propulsion business in several areas.

Defence revenue is expected to remain strong through FY24 with deliveries commencing under the next Collins Class submarine full cycle docking program. Other defence work for a number of different prime contractors, including Austal, is also expected to continue with the building of patrol boats and other platforms.

VEEM will continue to deliver on the Hunter demonstrator program and will pursue other options to leverage the high-level qualifications achieved with BAE/Kongsberg/Navy to supply other defence programs including overseas T26 programs.

VEEM is also active and well positioned to take advantage of further defence work opportunities that may arise out of AUKUS and other defence programs with BAE being the prime contractor for the British AUKUS submarine - the base model for Australia's new submarines.

Demand for the traditional foundry-led engineering products and services is expected to continue. This includes growth in VEEM's hollow bar product including deliveries to the Latrobe Magnesium's Latrobe Valley Stage 1 Demonstration Plant throughout FY24.

VEEM will continue to focus heavily on recruitment, maintenance and growth of labour resources through a number of initiatives in order to ensure it has the capacity to deliver growth. In terms of cost increases, VEEM has in place systems to ensure that cost increases and other factors such as exchange rates are identified as early as possible and incorporated into pricing in order to protect margins for all products.

During the year VEEM continued to contribute its knowledge of induction heating technology in a project with a local Perth liver surgeon to progress construction of a small prototype for the treatment of liver cancer. VEEM expects to conduct further trials in the coming months. Success would be a significant step toward a treatment for a disease that claims an estimated million lives a year globally. Although outside its core business, VEEM is proud to be able to use its knowledge and experience to help humanity overcome this disease.

STRATEGY

VEEM's strategy and focus is to become the global market leader in the provision of gyrostabilisation 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.

KEY RISKS

VEEM's ongoing business performance is subject to a number of risks. The key risks identified are:

Changes in the market demand for VEEM's products or services. This includes the impact of changing global economic conditions in markets such as the recreational marine market which is a major consumer of VEEM's propellers. VEEM monitors its markets for indicators of any change and devises plans to respond. VEEM proactively works to keep its products at the forefront of its markets both technically and price-wise.

Rising input costs such as raw materials and labour impacting margins. VEEM has in place systems to ensure that cost increases and other factors such as exchange rates are identified as early as possible and incorporated into pricing in order to protect margins for all products.

Availability of labour in Western Australia impacting capacity. VEEM has in place a number of initiatives to manage this risk.

The rate of adoption of the Company's large marine gyrostabiliser technology impacting revenue and profit growth. VEEM is working to maximise the adoption of its gyrostabiliser technology through marketing, pricing and after-sales attention.

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 Group 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 Group, the results of those operations, or state of affairs of the Group in future financial years apart from those listed below:

On 23 August 2023 the Company declared an unfranked ordinary dividend of $692,169 representing $0.0051 per share.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

ENVIRONMENTAL LEGISLATION

The Group 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 $285,000 was paid on 21 September 2022 in relation to the 2022 financial year.
- An interim ordinary dividend of $542,878 was paid on 19 April 2023.

Since the end of the financial year the Directors have recommended the payment of a final unfranked ordinary dividend of $692,169 ($0.0051 per share) to be paid on or around 20 September 2023. The recommendation is based on 30% of the net profit after tax less the interim dividend of $542,878 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.

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 2023. 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 set out below were the only key management personnel of the Group 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
Executives	
David James Rich	Chief Financial Officer and Company Secretary
Brett Wayne Silich	Global Commercial Manager (Ceased 13 January 2023)
Trevor Raman	Operations Manager (Appointed 10 April 2023)
David James Wood	Global Commercial Manager (Appointed 27 March 2023)

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

REMUNERATION PHILOSOPHY

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

REMUNERATION COMMITTEE

The Group 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 has previously been secured to ensure the level of remuneration for the Group'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 Group 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 Group. The fixed remuneration component is detailed in Key Management Personnel remuneration tables for the years ended 30 June 2023 and 30 June 2022.

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 2023 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.

2022 ANNUAL GENERAL MEETING

The Remuneration Report for the year ended 30 June 2022 was approved by in excess of 99% of shareholder votes cast.

PERFORMANCE ON SHAREHOLDER WEALTH

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

	2023	2022	2021	2020	2019
EPS (cents per share)	3.03	0.93	3.78	1.90	1.97
Dividends (cents per share)	0.91	0.43	0.66	0.57	0.41
Net profit ($k)	4,112	1,266	4,911	2,470	2,555
Share price ($)	0.40	0.38	1.33	0.40	0.53

EMPLOYMENT CONTRACTS

Details of employment contracts with executive KMP as at the date of this report:

NAME	TERM OF AGREEMENT AND TERMINATION PROVISIONS	BASE SALARY	TERMINATION BENEFIT
M. Miocevich 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: $522,708 per annum plus minimum statutory superannuation	3 Months salary
D. Rich 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: $358,135 per annum plus minimum statutory superannuation	3 Months salary. 12 months salary in the event of a change of control and diminution in duties.
T. Raman Operations 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: $302,500 per annum plus minimum statutory superannuation	None
D. Wood Global 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: $260,000 per annum plus minimum statutory super-annuation	None

Executive remuneration consisted of fixed and variable remuneration during the year to 30 June 2023. The Group 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 2023 and 30 June 2022:

	Short-term employee benefits				Post-employment benefits	Long-term benefits	Share based payments		Relative proportions of remuneration of KMP that are linked to performance	
	Salary & fees	**Bonus**	**Non-monetary benefits**	**Other**	**Superannuation**	**Long service leave**		**Total**	**Fixed remunera-tion**	**Remuneration linked to performance**
30 June 2023	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**%**	**%**
Directors										
Bradley Miocevich	123,529	-	-	-	12,970	-	-	136,499	100%	-
Mark Miocevich	512,271	-	-	-	25,292	11,294	-	548,857	100%	-
Ian Barsden	61,991	-	-	-	6,509	-	-	68,500	100%	-
Peter Torre	68,500	-	-	-	-	-	-	68,500	100%	-
Michael Bailey	61,991	-	-	-	6,509	-	-	68,500	100%	-
Total Director remuneration	**828,282**	**-**	**-**	**-**	**51,280**	**11,294**	**-**	**890,856**		
Executive										
David Rich	350,138	-	-	-	25,292	6,832	44,100	426,362	90%	10%
Brett Silich*	207,038	-	-	-	14,657	-	-	221,695	100%	-
Trevor Raman**	66,432	-	-	-	5,862	5,175	-	77,469	100%	-
David Wood***	65,000	-	-	-	6,323	1,083	-	72,406	100%	-
Total Executive remuneration	**688,608**	**-**	**-**	**-**	**52,134**	**13,090**	**44,100**	**797,932**		
Total	**1,516,890**	**-**	**-**	**-**	**103,414**	**24,384**	**44,100**	**1,688,788**		

	Short-term employee benefits				Post-employment benefits	Long term benefits	Share based pay-ments		Relative proportions of remuneration of KMP that are linked to performance	
	Salary & fees	**Bonus**	**Non-monetary benefits**	**Other**	**Superannuation**	**Long service leave**	**Share options**	**Total**	**Fixed remu-neration**	**Remuneration linked to performance**
30 June 2022	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**%**	**%**
Directors										
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	65,000	-	-	-	-	-	-	65,000	100%	-
Michael Bailey	59,090	-	-	-	5,909	-	-	64,999	100%	-
Total Director remuneration	**793,894**	**-**	**-**	**-**	**47,204**	**16,553**	**-**	**857,651**		
Executive										
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%	-
Total Executive remuneration	**640,212**	**-**	**-**	**-**	**47,136**	**8,375**	**24,722**	**720,445**		
Total	**1,434,106**	**-**	**-**	**-**	**94,340**	**24,928**	**24.722**	**1,578,096**		

* Mr B Silich ceased being an employee on 13 January 2023.

** Mr T Raman was employed for the full year. The remuneration shown is only since Mr Raman became a KMP when appointed Operations Manager on 10 April 2023.

*** Mr D Wood was appointed on 27 March 2023.

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 2023	**Number**	**Number**	**Number**	**Number**	**Number**	**Number**
Directors						
Bradley Miocevich*	68,135,593	-	-	-	68,135,593	-
Mark Miocevich*	68,135,593	-	-	-	68,135,593	-
Ian Barsden	53,571	-	-	-	53,571	-
Peter Torre	72,711	-	-	-	72,711	-
Michael Bailey	115,423	-	-	-	115,423	-
Executive						
David Rich	216,316	-	-	-	216,316	-
Brett Silich**	-	-	-	-	-	-
Trevor Raman***	-	-	-	-	-	-
David Wood***	-	-	-	-	-	-

	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**
Directors						
Bradley Miocevich	80,000,000[1]	-	-	(11,864,407)	68,135,5931	-
Mark Miocevich	80,000,000[1]	-	-	(11,864,407)	68,135,5931	-
Ian Barsden	53,571	-	-	-	53,571	-
Peter Torre	60,000	-	-	12,711	72,711	-
Michael Bailey	90,000	-	-	25,423	115,423	-
Executive						
David Rich	210,916	-	-	5,400	216,316	-
Brett Silich	-	-	-	-	-	-

* 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.

** As at date of cessation

*** Beginning balance is at date of appointment

The Group has two lease agreements with Voyka Pty Ltd, an entity controlled by an entity related to Mr Mark Miocevich and Mr Brad Miocevich. The Group pays Voyka Pty Ltd current monthly rent of $165,674 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.

PERFORMANCE RIGHTS

During the year there existed 150,000 performance rights issued to David Rich in a prior period as remuneration.

There are no other KMP option or performance right holdings and none issued during the year.

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:	13		
Number of meetings attended:			
John Bradley Miocevich		13	13
Mark David Miocevich		13	13
Ian Henry Barsden		13	11
Peter Patrick Torre		13	13
Michael Robert Bailey		13	13

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 23 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 15 and forms part of this Directors' report for the year ended 30 June 2023.

Signed in accordance with a resolution of the Directors.

Mark David Miocevich

Managing Director

Perth, 23 August 2023

HLB MANN JUDD
ADVISORY AND ACCOUNTING

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of VEEM Ltd for the year ended 30 June 2023, 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
23 August 2023

N G Neill
Partner

hlb.com.au

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
Level 4, 130 Stirling Street, Perth WA 6000 / PO Box 8124 Perth BC WA 6849
T: +61 (0)8 9227 7500 **E:** mailbox@hlbwa.com.au

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2023 ($)	2022 ($)
Continuing operations			
Revenue	2	59,579,944	54,262,635
Government subsidies	2	795,196	245,576
Foreign exchange losses (net)		(6,720)	(91,675)
Changes in inventories of finished goods and work in progress		5,409,765	4,429,302
Raw materials and consumables purchases		(27,348,315)	(26,639,867)
Employee benefits expense		(23,210,799)	(21,395,091)
Depreciation and amortisation expense		(4,082,386)	(4,021,791)
Repairs and maintenance expenses		(1,507,645)	(1,633,690)
Occupancy expense		(1,308,740)	(1,199,207)
Borrowing costs expense		(985,646)	(651,219)
Other expenses	2	(2,448,459)	(1,905,129)
Profit before income tax expense		4,886,195	1,399,844
Income tax expense	3	(773,987)	(134,005)
Net profit for the year		4,112,208	1,265,839
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges – effective portion of changes in fair value		(109,796)	-
Foreign operations – foreign currency translation reserve difference		1,218	-
		(108,578)	-
Items that will not be reclassified to profit or loss		-	-
Other comprehensive income/(loss) for the period, net of tax		(108,578)	-
Total comprehensive income for the year		4,003,630	1,265,839
Earnings per share			
Basic earnings per share (cents per share)	5	3.03	0.93
Diluted earnings per share (cents per share)	5	3.03	0.93

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	Notes	2023 ($)	2022 ($)
ASSETS			
Current assets			
Cash and cash equivalents	7	2,421,112	2,632,302
Trade and other receivables	8	10,112,724	10,069,085
Inventories	9	20,937,448	17,592,930
Other assets	10	1,335,003	1,192,863
Current tax assets	3	205,603	182,610
Total current assets		35,011,890	31,669,790
Non-current assets			
Property, plant and equipment	11	21,340,215	17,089,330
Deferred tax assets	3	4,268,401	2,856,829
Intangible assets	12	21,021,524	18,053,058
Right-of-use-asset	13	9,861,752	11,132,417
Total non-current assets		56,491,892	49,131,634
Total assets		91,503,782	80,801,424
LIABILITIES			
Current liabilities			
Trade and other payables	14	6,399,378	5,726,268
Borrowings – current	15	4,632,155	1,387,397
Provisions	17	3,933,864	3,792,001
Derivative liability	20	169,521	192,682
Lease liabilities - current	16	1,650,942	1,491,012
Total current liabilities		16,785,860	12,589,360
Non-current liabilities			
Borrowings – non current	15	10,508,404	8,121,339
Deferred tax liabilities	3	7,906,485	5,720,922
Provisions	17	100,929	100,929
Lease liabilities – non current	16	9,380,242	10,666,864
Total non-current liabilities		27,896,060	24,610,054
Total liabilities		44,681,920	37,199,414
Net assets		46,821,862	43,602,010
EQUITY			
Issued capital	18	11,509,613	11,509,613
Reserves	19	(39,756)	24,722
Retained earnings		35,352,005	32,067,675
Total equity		46,821,862	43,602,010

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2023

	Note	Issued Capital $	Reserves $	Retained earnings $	Total $
At 1 July 2021		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		-	-	-	-
Total comprehensive income for the year		-	-	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)
Balance at 30 June 2022		11,509,613	24,722	32,067,675	43,602,010
Profit for the year		-	-	4,112,208	4,112,208
Other comprehensive income, net of income tax		-	(108,578)	-	(108,578)
Total comprehensive income for the year		-	(108,578)	4,112,208	4,003,630
Share-based payment expense recognised		-	44,100	-	44,100
Dividends paid	6	-	-	(827,878)	(827,878)
Balance at 30 June 2023		11,509,613	(39,756)	35,352,005	46,821,862

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2023 ($)	2022 ($)
Cash flows from operating activities			
Receipts from customers		60,505,046	55,125,341
Payments to suppliers and employees		(54,282,497)	(53,130,011)
Government subsidies received		795,196	245,576
Other receipts		44,860	-
Interest paid		(985,646)	(651,219)
Interest received		419	28,789
Income tax received / (paid)		(58,942)	242,023
Net GST received		100,795	658,764
Net cash flows provided by operating activities	7	6,119,231	2,519,263
Cash flows from investing activities			
Payments for property, plant and equipment		(1,773,107)	(1,907,826)
Payments for intangible assets		(3,413,045)	(3,038,385)
Proceeds from sale of property, plant and equipment		-	122,615
Net cash flows used in investing activities		(5,186,152)	(4,823,596)
Cash flows from financing activities			
Repayment of borrowings		(1,200,000)	(1,100,000)
Dividends paid	6	(827,878)	(680,000)
Net proceeds from issue of shares		-	6,368,997
Payments of lease liabilities	7	(1,504,517)	(1,317,782)
Proceeds from borrowings		3,692,141	-
Repayment of hire purchase liabilities	7	(1,327,412)	(685,138)
Net cash flows (used in) / provided by financing activities		(1,167,666)	2,586,077
Net (decrease) / increase in cash and cash equivalents		(234,587)	281,744
Cash and cash equivalents at the beginning of the year		2,632,302	2,233,076
Effect of exchange rate fluctuations on cash held		23,397	117,482
Cash and cash equivalents at the end of the year	7	2,421,112	2,632,302

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF PREPARATION

These financial statements are consolidated general purpose financial statements of VEEM Ltd ("the Company") and its controlled entities ("the Group"), 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 Group 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 Group'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 2023

In the year ended 30 June 2023, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the reporting period beginning on or after 1 July 2022. As a result of this review, the Directors have determined that there is no material impact of the Standard and Interpretations issued on the Group 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 2023. 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 Group and, therefore, no change is necessary to its accounting policies.

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

(c) STATEMENT OF COMPLIANCE

The financial report was authorised for issue by the Board of VEEM Ltd on 23 August 2023.

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.

Leases

The Group 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 Group 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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 Group assesses at each balance date whether there is an indication that an asset may be impaired. If any such indication exists, the Group 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. There were no indicators of impairment during the financial year.

(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. The functional currency of VEEM Marine (Europe) B.V is Euro.

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.

As at the balance date the assets and liabilities of the subsidiaries are translated into the presentation currency of VEEM Ltd at the rate of exchange ruling at the balance date and its statement of profit or loss and other comprehensive income is translated at the average exchange rate for the year.

The exchange differences arising on the translation are taken directly to the foreign currency translation reserve in equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit 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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Point in time recognition - sale of goods – propulsion & stabilisation

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

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group 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 Group; 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 & stabilisation and defence

In determining whether performance obligations are satisfied over time the Group 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.

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 Group 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 Group 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 Group is a lessee, the Group recognises a right-of-use asset and a corresponding liability at the date which the lease asset is available for use by the Group (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 Group uses its incremental borrowing rate. Lease payments included in the initial measurement of 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 Group under residual value guarantees;
- The exercise price of purchase options, if the Group is reasonably certain to exercise the options; and
- Termination penalties of the lease term reflects the exercise of an option to terminate the lease.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Where the terms of a lease require the Group to restore the underlying asset, or the Group 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 Group 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.

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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 Group 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 Group 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.

(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 90 days after the month in which they are arise.

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 Group will not be able to collect all amounts due according to the original contractual terms.

Factors considered by the Group 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 Group. 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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 Group'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.

(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 Group of similar financial assets) is de-recognised when:

the rights to receive cash flows from the asset have expired;

- the Group 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 Group 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 Group 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 Group'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 Group 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 Group's continuing involvement is the amount of the transferred asset that the Group 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 Group'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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Group 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 Group 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 Group prior to the end of the financial year that are unpaid and arise when the Group 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 Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(u) PROVISIONS

Provisions are recognised when the Group 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 Group 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 Group 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 Group's obligation.

Commissioning Costs

Provisions for the expected cost of commissioning gyrostabilisers are recognised where the sale is inclusive of commissioning.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Annual leave

The liability for annual leave is measured as the value of the expected future payments to be made in respect of services provided by employees up to the balance date.

Long service leave

The liability for long service leave is 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.

(v) 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.

(w) 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.

(x) 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 Group'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.

The Group subsequently measures derivative financial instruments at fair value. Gains and losses on derivative financial instruments that do not qualify for hedge accounting are recognised in the Profit and Loss for the period.

Amounts recognised in equity are reclassified from reserves into the cost of the underlying transaction and recognised in the Profit and Loss when the underlying transactions affects the Profit and Loss. The ineffective portion of any change in the fair value of the instrument is recognised in the Profit and Loss immediately. Where a derivative financial instrument is designated as a fair value hedge changes in the fair value of the underlying asset or liability attributable to the hedge risk, and gains and losses on the derivative financial instrument are recognised in the Profit and Loss for the period.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) BASIS OF CONSOLIDATION

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

A list of controlled entities is contained in Note 22 to the financial statements.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position respectively.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of.

NOTE 2: REVENUE AND EXPENSES

Revenue from contracts with customers

	2023 ($)	2022 ($)
Sales revenue		
• Revenue – point in time	5,922,960	6,377,977
• Revenue – over time	53,612,125	47,819,268
	59,535,085	54,197,245
Other revenue	44,859	65,390
	59,579,944	54,262,635
Government Subsidies		
• Apprentice subsidies	261,442	186,165
• Government subsidies – Manufacturing Modernisation Fund	533,754	59,411
	795,196	245,576

During the year, the Group recognised revenue of $7,808,886 (2022: $9,603,509) in relation to the prior year's work in progress. The Group has progress billings at 30 June 2023 of $7,704,738 (2022: $6,690,719), refer to Note 9.

The Group has contract assets, being work in progress (recognised over time) at 30 June 2023 of $7,774,193 (2022: $6,339,411).

The Group recognises 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 79% (2022: 86%) of the revenue during FY2023. Sales to government instrumentalities accounted for 21% (2022: 13%). Sales to quasi-government instrumentalities accounted for nil% (2022: 1%).

The geographic distribution of sales for FY2023 was approximately 61% (2021: 60%) derived from customers within Australia and the remaining 39% (2021: 40%) were derived predominantly from customers in the USA, Sweden, UK, Italy, Turkey, Netherlands and Singapore.

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 and South America (gyrostabilisers 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, Costa Rica and Australia, where the distributors purchase from and contract directly with VEEM Ltd.

NOTE 2: REVENUE AND EXPENSES (continued)

Other expenses

	2023 ($)	2022 ($)
Insurance	527,981	480,001
Advertising and marketing	564,182	303,559
Bank Charges	68,163	62,543
Accounting and secretarial	280,920	246,302
Non-executive director fees	341,999	331,498
Share based payments	44,100	24,722
Profit on disposal property, plant and equipment	-	(13,447)
Other general expenses	621,114	469,951
	2,448,459	1,905,129

NOTE 3: INCOME TAX

Income tax recognised in profit or loss

The major components of tax expense are:

	2023 ($)	2022 ($)
Current tax expense	(419,051)	(142,233)
Deferred tax expense relating to the origination and reversal of temporary differences	1,193,038	276,238
Total tax expense	773,987	134,005

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	4,886,195	1,399,844
Income tax expense calculated at FY2023: 30% (FY2022: 30%)	1,465,859	419,953
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
• Prior year (over)/under provision of income tax	(5,969)	285,145
• Effect of expenses that are not deductible in determining taxable profit	396,848	482,475
• Effect of concessions – research and development	(1,082,751)	(1,053,568)
Income tax (benefit)/expense reported in the statement of profit or loss and other comprehensive income	773,987	134,005

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.

Current tax receivables comprise:

	2023 ($)	2022 ($)
Income tax receivable/(payable)	205,603	182,610

NOTE 3: INCOME TAX (continued)

Deferred tax assets comprise:

Annual leave payable	636,900	589,496
Provisions	545,509	372,455
Accrued expenses	125,185	284,007
Unrealised foreign exchange loss	24,287	48,924
Black hole expenditure and borrowing costs	42	187
Timing difference between Right of Use assets and Lease liabilities	381,108	337,916
Loss carried forward	419,051	170,276
Unclaimed research and development concessions	2,136,319	1,053,568
	4,268,401	2,856,829

Deferred tax liabilities comprise:

Depreciable property, plant and equipment	7,880,387	5,721,283
Patents	26,098	(361)
	7,906,485	5,720,922

Reconciliation of deferred tax assets / (liabilities):

	Opening Balance	Charged to income	Closing balance
30 June 2023	($)	($)	($)
Accrued expenses	284,007	(158,822)	125,185
Annual leave payable	589,496	47,404	636,900
Provisions	372,455	173,054	545,509
Property, plant and equipment	(5,721,283)	(2,159,104)	(7,880,387)
Unrealised foreign exchange (gain) / loss	48,924	(24,637)	24,287
Black hole expenditure and borrowing costs	187	(145)	42
Patents	361	(26,459)	(26,098)
Losses carried forward	170,276	248,775	419,051
Unclaimed research and development concessions	1,053,568	1,082,751	2,136,319
Timing difference between Right of Use assets and Lease liabilities	337,916	43,192	381,108
	(2,864,093)	(773,991)	(3,638,084)

NOTE 3: INCOME TAX (continued)

30 June 2022	Opening Balance ($)	Charged to income ($)	Closing balance ($)
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	258,947	78,969	337,916
	(2,827,617)	(36,476)	(2,864,093)

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 Group has two customers where the revenue from those customers was in excess of 10% of the Group's revenue. Customer A generated 21% (2022: 13%) and Customer B generated 10% (2021: 12%) of the Group's revenue for the year.

Although the Group is managed as a single business segment, sales revenue of $59,535,085 (2022: $54,197,245) can be broken down into the following sales categories. Propulsion and stabilisation consists of the manufacture of new propellers, shaft lines, gyrostabilisers and marine ride control fins. The sales in this category were $32,928,922 (2022: $30,782,724). Defence related sales for FY2023 totalled $16,985,405 (2022: $14,333,519) with $3,888,217 (2022: $4,916,592) of those sales being both within the defence and propulsion/ stabilisation categories. Sales of engineering products and services (non-defence) for FY2023 were $13,508,974 (2022: $13,997,595).

NOTE 5: EARNINGS PER SHARE

Basic and diluted earnings per share

	2023 Cents per share	2022 Cents per share
Basic earnings per share	3.03	0.93
Diluted earnings per share	3.03	0.93

The 150,000 performance rights on issue as at 30 June 2023 (2022: 150,000) are anti-dilutive and therefore diluted loss per share was the same as basic loss per share.

NOTE 5: EARNING PER SHARE (continued)

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:

	2023 ($)	2022 ($)
Earnings		
Earnings from continuing operations	4,112,208	1,265,839
	Number	**Number**
Weighted average number of ordinary shares for the purpose of basic earnings per share	135,719,452	135,719,452

NOTE 6: DIVIDENDS

	2023 ($)	2022 ($)
Fully franked dividends paid	-	-
Unfranked dividends paid	827,878	680,000
Total dividends paid	827,878	680,000
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

	2023 ($)	2022 ($)
Cash at bank	2,420,312	2,631,502
Cash on hand	800	800
	2,421,112	2,632,302

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 Group purchased assets with a value of $4,467,094 (2022: $4,123,136) which were financed through hire purchase.

Cash balances not available for use

All cash balances are available for use.

NOTE 7: CASH AND CASH EQUIVALENTS (continued)

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

	2023 ($)	2022 ($)
Net profit for the year	4,112,208	1,265,839
Adjusted for non-cash items		
Depreciation and amortisation expense	4,082,386	4,021,791
Profit on disposal of property, plant & equipment	-	(13,447)
Foreign exchange (gain)/loss	6,720	(117,485)
Share based payments	44,100	24,722
Changes in operating assets and liabilities		
Trade and other receivables	(43,639)	987,858
Inventories (includes change in progress billings)	(3,648,515)	(4,600,749)
Trade and other payables	520,645	496,837
Provisions	141,862	(63,328)
Current and deferred tax	750,999	376,029
GST payable	152,465	141,196
Net cash inflow from operating activities	6,119,231	2,519,263

Changes in liabilities arising from financing activities

	Bank loans ($)	Hire Purchase liability ($)	Lease liability ($)	Total ($)
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)
Remeasurement of lease liability	-	-	604,965	604,965
Acquisition of plant and equipment by means of hire purchase	-	4,123,136	-	4,123,136
Balance as at 30 June 2022	5,400,000	4,108,736	12,157,876	21,666,612
Net cash from/(used in) financing activities	2,492,141	(1,327,412)	(1,504,517)	(339,788)
Acquisition of plant and equipment by means of hire purchase	-	4,467,094	-	4,467,094
Remeasurement of lease liabilities	-	-	377,825	377,825
Balance as at 30 June 2023	7,892,141	7,248,418	11,031,184	26,171,743

NOTE 8: TRADE AND OTHER RECEIVABLES

	2023 ($)	2022 ($)
Trade receivables (a)	10,058,505	10,042,180
Other receivables	54,219	26,905
	10,112,724	10,069,085

(a) the credit period on sales of goods and rendering of services is 15-90 days after the month in which they are arise.

Aging of past due but not impaired

	2023 ($)	2022 ($)
60 – 90 days	48,275	107,464
90 – 120 days	110,211	114,727
Total	158,486	222,191

Expected credit losses

The Group 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 2023 and 30 June 2022 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 2023 is not required as it is not material to the financial statements (30 June 2022: Nil).

NOTE 9: INVENTORIES

	2023 ($)	2022 ($)
Work in progress – over time	7,774,193	6,339,411
Work in progress – point in time	5,194,972	2,710,818
	12,969,165	9,050,229
Less: progress billings	(7,704,738)	(6,690,719)
	5,264,427	2,359,510
Goods for resale, raw materials and stores	15,673,021	15,233,420
	20,937,448	17,592,930

During the year, the Group recognised revenue of $7,808,886 (2021: $9,603,509) in relation to the prior years' work in progress.

NOTE 10: OTHER ASSETS

	2023 ($)	2022 ($)
Prepayments	503,455	446,057
Suppliers paid in advance	831,548	746,806
	1,335,003	1,192,863

NOTE 11: PROPERTY, PLANT AND EQUIPMENT

	Plant and Equipment ($)	Motor Vehicles ($)	Capital Work in Progress ($)	Computer Equipment ($)	Total ($)
As at 30 June 2022					
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)**
Closing carrying amount	**15,554,392**	**146,063**	**1,121,444**	**267,431**	**17,089,330**
Year ended 30 June 2023					
Opening carrying amount	15,554,392	146,063	1,121,444	267,431	**17,089,330**
Additions	4,428,120	-	1,775,696	36,386	**6,240,202**
Transfers	2,499,761	-	(2,499,761)	-	**-**
Depreciation charge	(1,864,972)	(21,291)	-	(103,054)	**(1,989,317)**
Closing carrying amount	**20,617,301**	**124,772**	**397,379**	**200,763**	**21,340,215**
As at 30 June 2023					
Cost	49,729,406	662,767	397,379	1,822,292	**52,611,844**
Accumulated Depreciation	(29,112,105)	(537,995)	-	(1,621,529)	**(31,271,629)**
Carrying amount	**20,617,301**	**124,772**	**397,379**	**200,763**	**21,340,215**

NOTE 12: INTANGIBLE ASSETS

	Other Intellectual Property ($)	Product Development ($)	Total ($)
As at 30 June 2022			
Cost	956,395	19,722,319	**20,678,714**
Accumulated amortisation	(712,721)	(1,912,935)	**(2,625,656)**
Closing carrying amount	**243,674**	**17,809,384**	**18,053,058**
Year ended 30 June 2023			
Opening carrying amount	243,674	17,809,384	**18,053,058**
Net additions	152,875	3,260,171	**3,413,046**
Amortisation charge	(161,025)	(283,555)	**(444,580)**
Closing carrying amount	**235,524**	**20,786,000**	**21,021,524**
As at 30 June 2023			
Cost	1,109,269	22,982,490	**24,091,759**
Accumulated amortisation	(873,745)	(2,196,490)	**(3,070,235)**
Carrying amount	**235,524**	**20,786,000**	**21,021,524**

No impairment loss was recognised in the 2023 financial year (2022: $Nil).

NOTE 13: RIGHT-OF-USE ASSETS

	Premises $	Total $
As at 30 June 2023		
Cost	16,469,189	16,469,189
Accumulated depreciation	(6,607,437)	(6,607,437)
Carrying amount	9,861,752	9,861,752
As at 30 June 2022		
Cost	16,091,362	16,091,362
Accumulated depreciation	(4,958,945)	(4,958,945)
Carrying amount	11,132,417	11,132,417

NOTE 13: RIGHT-OF-USE ASSETS (continued)

	2023 ($)	2022 ($)
Opening balance	11,132,417	12,108,464
Remeasurement of lease liability (a)	377,825	604,965
Depreciation	(1,648,490)	(1,581,012)
Closing balance	9,861,752	11,132,417

(a) From 30 June 2022, the Group leased an additional 207 square metres with additional high-capacity concrete hardstand of 540 square metres at its leased premises at 22 Baile Road, Canning Vale 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 in the 2022 financial year. All other terms of the lease remained the same. A rent review during the 2023 financial year required a re-measurement of the lease liability which resulted in an increase in the lease liability and right of use asset of $377,825.

NOTE 14: TRADE AND OTHER PAYABLES (CURRENT)

	2023 ($)	2022 ($)
Trade payables (a)	4,878,254	4,411,999
Net GST payable	336,349	188,884
Other creditors	1,184,775	1,125,385
	6,399,378	5,726,268

(a) 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

	2023 ($)	2022 ($)
Current		
Floating rate loan facility (a)	1,200,000	400,000
Trade Loan Facility (b)	1,692,141	-
Hire purchase liability	2,114,353	1,112,917
Less: Unexpired charges	(374,339)	(125,520)
	4,632,155	1,387,397
Non-current		
Loan facility – Daily Rate (c)	5,000,000	5,000,000
Hire purchase liability	6,081,057	3,301,915
Less: Unexpired charges	(572,653)	(180,576)
	10,508,404	8,121,339

(a) The Group has a Floating Rate Loan Facility with a limit of $1,200,000. The Loan Facility is repayable by 1 July 2024. $100,000 of principal is payable each calendar month with any 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 5.47% (June 2022: 1.88% on Commercial facility). The facility is reviewed on an annual basis. At 30 June 2023, the Group had nil (2022: $2,000,000) available in undrawn committed borrowing facilities under the Loan Facility in respect of which all conditions precedent had been met.

(b) The Group entered into a trade loan facility during the financial year to support it's import trade arrangements. The facility has a limit of $2,000,000 and each drawdown is repayable in 150 days. Interest is at the base rate plus 1.25% per annum. A line fee of 0.75% per annum of the Facility Limit is payable quarterly in arrears.

(c) The Group 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 5.84% (June 2022: 3.55%). The facility is fully drawn and is reviewed on an annual basis.

(d) The Group 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 2023, the Group had available $3,400,000 of undrawn overdraft facilities (June 2023: $3,400,000). In addition, there is an Electronic Payments Facility with a limit of $300,000. At 30 June 2023, the Group had available $300,000 under this facility (June 2022: $300,000).

The facilities are secured by a registered first mortgage over the assets and undertakings of the Group. The Group complied with all banking covenants during the financial year.

NOTE 15: BORROWINGS (continued)

Financing facilities available

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

	2023 ($)	2022 ($)
Total facilities		
• Overdraft facility	3,400,000	3,400,000
• Loan facility – Daily Rate	5,000,000	5,000,000
• Trade Loan Facility	2,000,000	-
• Electronic payments facility	300,000	300,000
• Floating rate loan facility	1,200,000	2,400,000
• Commercial card facility	50,000	50,000
	11,950,000	11,150,000
Facilities used at balance date		
• Overdraft facility	-	-
• Loan facility – Daily Rate	5,000,000	5,000,000
• Trade Loan Facility	1,692,141	-
• Electronic payments facility	-	-
• Floating rate loan facility	1,200,000	400,000
• Commercial card facility	-	-
	7,892,141	5,400,000
Facilities unused at balance date		
• Overdraft facility	3,400,000	3,400,000
• Loan facility – Daily Rate	-	-
• Trade Loan Facility	307,859	-
• Electronic payments facility	300,000	300,000
• Floating rate loan facility	-	2,000,000
• Commercial card facility	50,000	50,000
	4,057,859	5,750,000
Total facilities		
• Facilities used at balance date	7,892,141	5,400,000
• Facilities unused at balance date	4,057,859	5,750,000
	11,950,000	11,150,000

The carrying value of plant and equipment held under hire purchase contracts at 30 June 2023 is $8,531,525 (2022: $4,108,737). Additions during the year include $4,467,094 (2022: $4,123,136) of plant and equipment held under hire purchase contracts.

NOTE 16: LEASE LIABILITIES

	Premises	Total
30 June 2023	**$**	**$**
Current liabilities	1,650,942	1,650,942
Non-current liabilities	9,380,242	9,380,242
	11,031,184	11,031,184

	Premises	Total
30 June 2022	**$**	**$**
Current liabilities	1,491,012	1,491,012
Non-current liabilities	10,666,864	10,666,864
	12,157,876	12,157,876

Reconciliation	Premises	Total
	$	**$**
Balance at 1 July 2021	12,870,693	12,870,693
Principal repayments	(1,317,782)	(1,317,782)
Remeasurement of lease liability (a)	604,965	604,965
Balance at 30 June 2022	12,157,876	12,157,876
Principal repayments	(1,504,517)	(1,504,517)
Remeasurement of lease liability (a)	377,825	377,825
Closing balance 30 June 2023	11,031,184	11,031,184

The average lease term to expiry is 6 years.

(a) From 30 June 2022, the Group leased an additional 207 square metres with additional high-capacity concrete hardstand of 540 square metres at its leased premises at 22 Baile Road, Canning Vale 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 in the 2022 financial year. All other terms of the lease remained the same.
A rent review during the 2023 financial year required a re-measurement of the lease liability which resulted in an increase in the lease liability and right of use asset of $377,825.

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

Lease payments due 30 June 2023	<1 year	1-5 years	>5 years	Total
	$	**$**	**$**	**$**
Net present values	1,650,942	7,599,123	1,781,119	11,031,184
Interest	354,633	801,694	28,248	1,184,575
Lease payments	2,005,575	8,400,817	1,809,367	12,215,759

Total cash outflow relating to leases for the period ended 30 June 2023 was $1,903,900 (2022: $1,742,958) of which $1,504,517 (2022: $1,317,782) related to principal payments and $399,383 (2022: $425,176) related to interest.

NOTE 17: PROVISIONS

	2023 ($)	2022 ($)
Current		
Annual Leave	2,123,000	1,964,988
Long service leave	1,270,205	1,138,060
Warranty	361,699	590,497
Commissioning	178,960	98,456
	3,933,864	3,792,001
Non-Current		
Lease restoration	100,929	100,929
	100,929	100,929
Employee benefits (a)		
Balance at beginning of year	3,103,048	2,928,507
Net movements	290,157	174,541
Balance at the end of year - Current	3,393,205	3,103,048

(a) The provision for employee benefits represents annual and long service leave entitlements accrued.

	2023 ($)	2022 ($)
Provision for warranty		
Balance at beginning of year	590,497	707,931
Net movements	(228,798)	(117,434)
Balance at the end of the year - Current	361,699	590,497
Provision for commissioning		
Balance at beginning of year	98,456	53,206
Net movements	80,504	45,250
Balance at the end of the year - Current	178,960	98,456
Provision for restoration		
Balance at beginning of year	100,929	100,929
Net movements	-	-
Balance at the end of the year - Non-current	100,929	100,929

NOTE 18: ISSUED CAPITAL

a) Issued and paid up capital

	2023 ($)	2022 ($)
135,719,452 (2022: 135,719,452) Ordinary shares issued and fully paid	11,509,613	11,509,613

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.

b) Movements in ordinary shares on issue

	Year to 30 June 2023		Year to 30 June 2022	
	No.	**$**	**No.**	**$**
Movements in ordinary shares on issue				
Opening balance	135,719,452	11,509,613	130,000,000	5,140,616
Issue of shares	-	-	5,719,452	6,368,997
Closing balance	**135,719,452**	**11,509,613**	**135,719,452**	**11,509,613**

NOTE 19: RESERVES

	2023 ($)	2022 ($)
Share based payment reserve	68,822	24,722
Cash flow hedge reserve	(109,796)	-
Foreign currency translation reserve	1,218	-
	(39,756)	24,722

Share based payment reserve

The share based payments reserve is used to record the value of equity instruments issued to Directors, employees and qualifying contractors as part of their remuneration.

During the year the Group had a share-based payment Performance Rights and Options Plan which provided that the Board of the Group 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 Group;

(ii) The contribution made by the Eligible Participant to the Group;

(iii) The potential contribution of the Eligible Participant to the Group; or

NOTE 19: RESERVES (continued)

(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 2022	Granted during period	Exercised during period	Forfeited / lapsed during period	Balance 30 June 2023
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 Group. 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 $44,100 (was recorded for 30 June 2023 (2022: $24,722) with the balance vesting in remaining vesting periods.

Cash flow hedge reserve

This reserve records the portion of the gain or loss on hedging instruments in cash flow hedges that are determined to be effective hedges.

Foreign currency translation reserve

This reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

NOTE 20: FINANCIAL INSTRUMENTS

Capital risk management

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

The Group 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

	2023 ($)	2022 ($)
Financial assets		
Cash and cash equivalents	2,421,112	2,632,302
Trade and other receivables	10,112,724	10,069,085
Financial liabilities		
Trade and other payables	6,399,378	5,726,268
Floating rate loan facility	1,200,000	400,000
Trade loan facility	1,692,141	-
Loan facility – Daily Rate	5,000,000	5,000,000
Hire purchase liability	7,248,418	4,108,736
Lease liability	11,031,184	12,157,876
Derivative liability	169,521	192,682

Financial risk management objectives

The Group 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 Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. The Group'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 Group'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.

Propeller sales are denominated 37% in USD (2022: 46%), 11% in GBP (2022: 12%) and 10% in EUR (2022: 12%) hence increases in propeller sales will increase exposure to exchange rate movements. As all gyrostabiliser sales are in USD, and only part of the costs provides a natural hedge, the exposure to USD will increase in line with gyrostabiliser revenue increases.

The Board has adopted a policy of hedging net foreign currency exposures using forward contracts. As at 30 June 2023 there were forward exchange contracts in place for USD 3,732,250; EUR 400,000 and GBP 230,000 (30 June 2022: USD 3,655,453, EUR 105,000 and GBP 42,350). For fair value hedges, any gain or loss from ineffective hedging instruments 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 $169,521 (30 June 2022: $192,682) 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.

NOTE 20: FINANCIAL INSTRUMENTS (continued)

	Cash ($)	Receivables ($)	Payable ($)	Total Asset /(Liability) ($)
USD	608,702	1,395,158	(255,662)	1,748,198
• Impact of a 5% increase to profit or loss				(87,410)
• Impact of a 5% decrease to profit or loss				87,410
EUR	34,303	473,677	(58,125)	449,855
• Impact of a 5% increase to profit or loss				(22,493)
• Impact of a 5% decrease to profit or loss				22,493
GBP	112,823	657,599	(1,182,120)	(411,698)
• Impact of a 5% increase to profit or loss				20,585
• Impact of a 5% decrease to profit or loss				(20,585)

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

The Group'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 (2022: 100 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 Group's net profit would increase by $78,921 and decrease by $78,921 (2022: $58,800) respectively. This is attributable to the Group's exposure to interest rates on its variable rate borrowings.

The Group'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 2022. 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 that the prior year reflecting the increase in interest rate over the year.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group 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 Group conducts due diligence on all counterparties before extending them credit including utilising information supplied by independent rating agencies where readily available and, if not available, the Group uses publicly available financial information.

The Group'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 Group 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 Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

NOTE 20: FINANCIAL INSTRUMENTS (continued)

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 Group's short, medium and long-term funding and liquidity management requirements. The Group 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 Group has at its disposal as part of its management of liquidity risk.

The following table details the Group'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 Group can be required to repay. The tables include both interest and principal cash flows.

		1 year or less	1–5 years	5+ years
30 June 2023	%	$	$	$
Non-interest bearing – Trade and other payables		6,399,378	-	-
Fixed interest rate – Hire purchase liabilities	6.22	1,740,014	5,508,404	-
Fixed interest rate – Lease liabilities	3.45	1,650,942	9,380,242	-
Loan facility – Daily Rate	5.84	-	5,000,000	-
Trade Loan Facility	6.54	1,692,141	-	-
Floating rate loan facility	5.47	1,200,000	-	-
		12,682,475	19,888,646	-

		1 year or less	1–5 years	5+ years
30 June 2022	%	$	$	$
Non-interest bearing – Trade and other payables		5,726,268	-	-
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	-
Variable interest rate – Bill facility and bank overdraft	1.88	400,000	-	-
		9,126,360	16,277,467	3,837,241

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 Group 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.

NOTE 20: FINANCIAL INSTRUMENTS (continued)

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

	2023 ($)	2022 ($)
Hire purchase commitments payable		
- within one year	2,114,353	1,112,917
- after one year but not more than five years	6,081,057	3,301,915
Minimum hire purchase payments	8,195,410	4,414,832
Less: Unexpired charges	(946,992)	(306,096)
Present value of net minimum lease payments	7,248,418	4,108,736
Represented by:		
Current	1,740,014	987,397
Non-current	5,508,404	3,121,339
	7,248,418	4,108,736

Capital commitments

At 30 June 2023 the Group had $786,453 of capital commitments (2022: $4,038,050).

NOTE 21: RELATED PARTY DISCLOSURE

The Group'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 Group are set out below:

	2023 ($)	2022 ($)
Short-term employee benefits	1,516,890	1,434,106
Long term benefits	127,798	119,268
Share based payments	44,100	24,722
	1,688,788	1,578,096

Key management personnel transactions

The Group has two lease agreements with Voyka Pty Ltd, an entity controlled by an entity related to Mr Mark Miocevich and Mr Brad Miocevich. The Group pays Voyka Pty Ltd current monthly rent of $165,674 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 Miocevich purchased goods and services worth $57,016 (2022: $25,672). An entity related to Mr Brad Miocevich provided services of $2,898 (2022: nil) and purchased goods and services worth $1,964 (2022:nil). All these orders were on normal commercial terms

Lumos Marketing, which is owned by a related party of Mr Mark Miocevich, provided $77,969 (2022: $100,620) of marketing services to the Group 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	
			2023	2022
Microtherm Pty Ltd	Research and development of induction heating technology in the treatment of liver cancer.	Australia	50%	50%
VEEM Marine (Europe) B.V.	Marketing, sales and after-sales service of marine propulsion and stabilisation products and systems	Netherlands and Europe	100%	100%

Microtherm Pty Ltd did not have any transactions during the financial year or balances at 30 June 2023 and has not been consolidated with work on the project, conducted within the parent entity.

NOTE 23: AUDITOR'S REMUNERATION

The auditor of VEEM Limited is HLB Mann Judd.

	2023 ($)	2022 ($)
Audit or review of the financial statements	100,356	85,731
Tax compliance services	19,850	32,550
Other services	-	-
	120,206	118,281
Other services provided by network firms of the auditor		
HLB Den Hartog	4,549	12,535

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 Group, the results of those operations, or state of affairs of the Group in future financial years apart from those listed below:

1. On 23 August 2023 the Company declared an unfranked ordinary dividend of $692,169 representing $0.0051 per share.

NOTE 25: CONTINGENCIES

The Group has no material contingent liabilities or assets as at 30 June 2023 (2022: $Nil).

NOTE 26: PARENT ENTITY INFORMATION

Information relating to VEEM Limited, the parent entity, is detailed below:

	2023 ($)	2022 ($)
ASSETS		
Current	35,078,875	31,669,790
Non-current	56,558,594	49,131,634
Total assets	91,637,469	80,801,424
LIABILITIES		
Current	16,821,777	12,589,360
Non-current	27,963,843	24,610,054
Total liabilities	44,785,620	37,199,414
Net assets	46,851,849	43,602,010
EQUITY		
Issued capital	11,509,613	11,509,613
Reserves	(40,974)	24,722
Retained earnings	35,383,210	32,067,675
Total equity	46,851,849	43,602,010
INCOME		
Net profit after tax	4,143,413	1,265,839
Total comprehensive income	4,036,059	1,265,839

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 Group's financial position as at 30 June 2023 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 2023.

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

Mark David Miocevich
MANAGING DIRECTOR
Dated this 23 August 2023

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") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated 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 Group is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2023 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 Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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**.**

hlb.com.au

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
Level 4, 130 Stirling Street, Perth WA 6000 / PO Box 8124 Perth BC WA 6849
T: +61 (0)8 9227 7500 **E:** mailbox@hlbwa.com.au

Key Audit Matter	How our audit addressed the key audit matter
Carrying amount of the intangible asset (product development expenditure) Note 12 of the financial report	
The Group has an intangible asset in relation to capitalised expenditure on the development of gyroscopic stabilizers ("gyrostabilizer"). The development expenditure of $20.8 million is considered to be a key audit matter, given the size of the balance, as well as the specific criteria that have to be met for capitalisation. Additionally, determining whether there is any indication of impairment requires management judgement and assumptions which are affected by future market or economic developments.	Our procedures included but were not limited to the following: - We assessed the recognition criteria for this intangible asset by challenging the key assumptions used and estimates made in capitalising development costs, including management's assessment of the stage of the project in the development phase and the accuracy of costs included; - We considered management's assessment of whether any indicators of impairment were present by understanding the business rationale for projects and performing reviews for indicators of impairment; - We ensured management applied an appropriate amortisation method and amortisation period to this finite life intangible; and - We assessed the adequacy of the Group's disclosures in the financial report.
Revenue recognition Note 2 of the financial report	
The Group 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. 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.	Our procedures included but were not limited to the following: - We examined and tested the Group's key controls over revenue and related work-in-progress; - We assessed a sample of the Group'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; - For a sample of contracts designated for over time recognition, we assessed the 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 Group'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 Group's annual report for the year ended 30 June 2023, 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 Group 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 Group 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 Group'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 Group'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 Group 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, actions taken to eliminate threats or safeguards applied.

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 2023.

In our opinion, the Remuneration Report of VEEM Ltd for the year ended 30 June 2023 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

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
23 August 2023

Norman Glad

N G Neill
Partner

SHAREHOLDERS 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 8 September 2023.

Twenty Largest Shareholders

Rank	Name	Units	% Units
1	VEEM CORPORATION PTY LTD <MIOCEVICH FAMILY A/C>	68,135,593	50.20
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	23,141,750	17.05
3	BOND STREET CUSTODIANS LIMITED <SALTER - D79836 A/C>	8,200,000	6.04
4	CITICORP NOMINEES PTY LIMITED	4,524,490	3.33
5	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	3,865,571	2.85
6	UBS NOMINEES PTY LTD	2,791,285	2.06
7	BOND STREET CUSTODIANS LIMITED <RSALTE - V39117 A/C>	650,000	0.48
8	VELKOV FUNDS MANAGEMENT PTY LTD <VICTOR VALUE FUND A/C>	600,000	0.44
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	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	473,553	0.35
12	WEEWAC PTY LTD <WARRIOR SUPER FUND A/C>	421,000	0.31
13	BOND STREET CUSTODIANS LIMITED <RSALTE - V37466 A/C>	350,000	0.26
14	ACRES HOLDINGS PTY LTD <NOEL EDWARD KAGI FAMILY A/C>	335,000	0.25
15	REDBROOK NOMINEES PTY LTD	325,000	0.24
16	BOND STREET CUSTODIANS LIMITED <RSALTE - V38491 A/C>	312,510	0.23
17	MR GRAEME JOHN MEDHURST	260,000	0.19
18	MR ALEXANDER PAUL CHANG	250,000	0.18
19	BOND STREET CUSTODIANS LIMITED <RSALTE - D44396 A/C>	242,495	0.18
20	FRIDAY INVESTMENTS PTY LTD <PIERRO ACCOUNT>	235,000	0.17

Totals: Top 20 holders of Ordinary Fully Paid Shares (Total)	**116,153,247**	**85.58**
Total Remaining Holders Balance	**19,566,205**	**14.42**
Total Shares on Issue	**135,719,452**	

Marketable Parcels
Number of shareholders holding less than a marketable parcel of ordinary shares is 153.

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 Miocevich Family Trust — 50.20% of the issued ordinary shares
- Perennial Value Management Limited — 14.95% of the issued ordinary shares
- Salter Brothers Emerging Companies Limited — 5.64% 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 issues 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 2023 Corporate Governance Statement is available on the Company's website at www.veem.com.au.

Distribution of of equity security holders

Range	Total holders	Units	% Units
1 - 1,000	300	190,330	**0.14**
1,001 - 5,000	588	1,682,051	1.24
5,001 - 10,000	238	1,880,168	1.39
10,001 - 100,000	372	11,406,098	8.40
100,001 Over	48	120,560,805	88.83
Total	1,546	135,719,452	100.00

VEEM LTD
ACN 008 944 009

22 baile Rd,
Canning Vale WA 6155
Telephone: +61 8 9455 9355
Email: veem@veem.com.au
Website: www.veem.com.au

/veem_ltd
@veemltd