



# Annual REPORT

For the Financial Year Ended  
30 June 2022





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# FY2022 Highlights



**REVENUE UP**  
**↑ 24.6%**  
**YEAR-ON-YEAR TO \$121.4M**

Our core markets rebounding strongly post Covid-19, supported by a strong work-in-hand.



**GROSS PROFIT UP**  
**↑ 1.6%**  
**TO 29.2% YEAR-ON-YEAR**

Statutory and underlying gross margins approaching parity as the impact of three legacy projects diminishes.



**EBITDAI UP**  
**↑ \$2.7M**  
**YEAR-ON-YEAR**

Higher revenues result in better coverage of fixed costs.



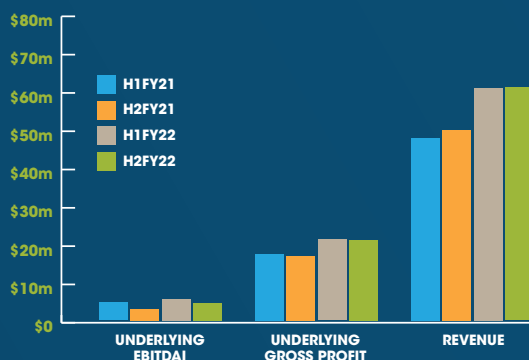
**WORK IN HAND**  
**↑ \$77.4M**  
**UP FROM \$76.6M**  
**LAST YEAR**



**OPERATING CASH INFLOW**  
**BEFORE INTEREST AND TAX**  
**↑ \$4.1M**  
**VS \$0.2M OUTFLOW**  
**PRIOR YEAR**

\*Underlying adjusts for poor performing projects and other one-off costs.

## UNDERLYING RESULTS CONFIRM REBOUND



# About **Verbrec**

Verbrec Limited (ASX: VBC) is a leading mid-tier engineering, training and infrastructure services business executing work across Australia, New Zealand, PNG and the Pacific Islands. Core industry markets spanning energy, mining and infrastructure. Geographically well positioned delivering repeat work for Tier 1 client base delivering revenue streams over the entire asset lifecycle.

## 3 INDUSTRIES



RESOURCES



ENERGY



INFRASTRUCTURE

## 1 PURPOSE

**THROUGH STRONG RELATIONSHIPS BUILT ON TRUST WE TRANSFORM ASSETS AND PEOPLE.**

Transforming assets for a sustainable and smarter future.

## 16 LOCATIONS



## 3 SERVICES



- Asset Management
- Digital Industry
- Power
- Pipelines
- Process Plant Engineering



- Pipeline & Compressor Station Operations
- Cathodic Protection
- Leak Surveys
- Pipeline Integrity



- High Risk
- Hazardous Area
- Mobile Plant

**863 TEAM MEMBERS** (560 FTEs)



# Our Markets

Verbrec provides services across diversified markets each experiencing significant growth and undergoing significant transformation creating significant opportunities. Labour shortages are creating opportunities for the labour force to retrain via Verbrec's training business.

## MINING & MINERALS

**Key commodity prices remain very strong and mini-boom associated with battery minerals.**

**Verbrec** seeing increased activity in our core capability areas of brown-field projects replacing outdated equipment, digital transformation, asset management and training. StacksOn™ is an example of digital transformation securing long term software licences resulting in recurring high margin revenue streams.

## INFRASTRUCTURE

**Government stimulus measures accelerating infrastructure projects including Defence. Water sector actively implementing digital transformation projects.**

**Verbrec** currently executing digital transformation projects for water utilities. Significant increase in Defence power projects. Supporting longstanding clients transform infrastructure to process and transport hydrogen.

## ENERGY

**Prices at historical highs - East coast gas shortage, Ukraine war combined with transition to renewables, gas as a transition fuel.**

**Verbrec** executing decommissioning design project for gas field, won and executing projects providing gas peaker capacity, on-going recurring project work and O&M agreements to Coal Seam Gas industry, renewable connections in to grid.



# Safety - zero harm, always


## KEY OUTCOMES:

- 6yrs since last Lost Time Injury - safety risk profile changing with acquisitions
- Obtained ISO45001 HSEQ recertification, following an external audit of our Health and Safety systems and processes

## KEY INITIATIVES:


- Introduced Verbrec Mandatory Practices
- Wellness Initiatives - mental health support, flexible working arrangements

	LTIFR	MTIFR	TRIFR
<b>FY16</b>	1.14	1.14	2.28
<b>FY17</b>	0	2.39	3.59
<b>FY18</b>	0	1.45	4.35
<b>FY19</b>	0	0	0
<b>FY20</b>	0	0	0
<b>FY21</b>	0	0	0
<b>FY22</b>	0	4.35	8.70


**verbrec**


## Mandatory Practices

### 1 Operate Equipment Safely




- Always obey jurisdictional road practices and observe speed limits.
- Only drive and operate equipment for which you are trained, assessed and authorised.
- Don't drive while tired and observe mandatory rest breaks.
- Obey speed limits, wear your seatbelt, and do not use mobile phones while driving.
- Always establish positive contact with heavy equipment before approaching.
- Ensure equipment pre-start checks are completed prior to use.

### 2 Isolate Stored Energy




- Tag and test for dead before working on equipment.
- Never override safety equipment unless authorised.
- Always apply a personal lock at isolation points.
- De-energise where possible.
- Utilise the correct personal protective equipment.

### 3 Be Fit For Work




- Never exceed an approved roster.
- Never exceed 12 hours of work in any standard day without approval and robust control.
- Gain approval for work while using prescription drugs.
- Never present for work under the influence of drugs or alcohol.
- Don't present for work unwell.

### 4 Maintain Contractor Compliance




- Pre-qualifications must be in place prior to contractors commencing work.
- Contractor personnel must be inducted, trained and deemed competent.
- Ensure all contractors and contractor personnel are adequately supervised.
- Ensure Verbrec HSEQ standards are applied to contractors, including HSEQ reporting.

### 5 Respect our Landowners




- Never enter private or public land unless authorised.
- Ensure stakeholders are notified prior to accessing work sites.
- Keep a record of all landowner interactions.
- Leave gates as you found them.
- Report any damage.

### 6 Comply with the Permit to Work System




- Comply with the Permit to Work System.
- Only trained and certified people undertake high-risk activities.
- Always assess the risk and complete a pre-start.
- Ensure you use an approved procedure or JHA / JSEA.
- Always stop, think, and re-assess following any change in conditions.
- Ensure an authorised permit is in place for work:
  - At heights ≥ 1.8m
  - In confined spaces
  - In and around excavations
  - Where isolations are required
  - When cutting, grinding or welding (Hot Work)
  - High risk work (Cold Work)
- Utilise the correct safety equipment including PPE.

### 7 Work Safely at Heights




- Never work under a suspended load.
- Ensure that all loads are secure.
- Ensure exclusion barriers are in place around 'drop zones'.
- Never work at heights without a permit.
- Never work at heights without approved safety equipment, including PPE.

### 8 Control Hazardous Chemicals



- Always utilise a correct and current Safety Data Sheet (SDS) where appropriate.
- Conduct gas tests when required.
- Ensure you are trained in and authorised to handle hazardous chemicals.
- Always conduct a hazardous chemical risk assessment and wear correct PPE.

### 9 Protect the Environment



- Ensure vehicles have a current weed seed certificate and are washed down.
- Report all spills and clean up and dispose of waste appropriately.
- Do not disturb cultural heritage sites and report all artifacts.
- Comply with Regulatory Environmental Protection requirements.





# Chairman's Letter to Shareholders



## DEAR SHAREHOLDERS,

Verbrec's strong, long-term relationships built on trust, are helping to – *transform assets and people's lives to create a brighter future*. That's our purpose at Verbrec. It's what has kept us focused, in what has been another complex operating period. Despite further COVID-19 related disruptions and associated workplace restrictions, border closures and floods earlier in the year, our people have demonstrated resilience and determination to deliver fit-for-purpose solutions for our clients. The Board and our executive managers are proud to be part of a committed team of professionals, who have continued in FY2022, the transformation of our business which began in June 2019.

To our long-standing investors who have continued to support us through this transformative phase, I extend our gratitude for your patience and your understanding that we are well along the way on the recovery journey. Your forbearance has enabled us to work through to completion, two loss making legacy projects, with a third and final legacy project expected to be completed this calendar year. During this time, we have expanded our portfolio of new projects in growth sectors of the industrial economy. We now have record levels of high margin work in hand to execute in the year ahead. Linton Burns our Managing Director will discuss in his report the FY2022 financial performance, the nature of the record levels of work in hand and the performance adjusted for these legacy projects. It will highlight that the Verbrec team have delivered professional project management and gross margin discipline across the balance of the business, which bodes well when combined with the work in hand for the Company's future performance.

## SUSTAINABILITY

A number of new shareholders have joined our register in the last twelve months. We welcome the trust you have shown by joining us on the next stage of our transformation and growth. A key component of our transformation is building a stronger, more resilient business that can withstand cycles in resource-based industries. To do this, we are embracing the future as two major transformations occur worldwide to create better lives for us all.

The first of these is the transition to clean energy. The second is the digital revolution (so called *Industry 4.0*), helping businesses large and small build robust futures by better meeting fast evolving market needs. I'm very happy to say that we have notable projects in both these areas resulting from our significant technical capabilities and strong client relationships.

As part of our commitment to creating a sustainable future, we are assisting energy companies transition to net zero emissions. Our Managing Director, Linton Burns, will outline several of these exciting clean energy projects and other operational highlights in his report.

In the digital industry (DI) sphere, our SCADA (supervisory control and data acquisition) upgrade projects across a number of industries, are examples of our significant capability in designing and implementing leading edge technology. An illustration of our SCADA expertise is our work on two of the largest system wide upgrade projects for water supply and sewerage utilities in Australia.

## OVERCOMING CHALLENGES

An area of disappointing performance this year was our Industry Training business. It was severely impacted by sickness amongst our trainers and combined with COVID-19 travel and indoor gathering restrictions, this caused a dramatic decrease in course participation numbers. The cancellation of many courses was therefore inevitable. The floods in Queensland also came at just the wrong time, occasioning further disruptions to our classroom schedules. Although mitigations were implemented to transfer aspects of our courses to online delivery, the practical, hands-on nature of much of our industry training requires physical attendance.

As a consequence of this, we have had to take an impairment to goodwill of \$866,000 in accordance with accounting standard, AASB 136 Impairment of Assets. The training business has however performed to expectations over the last three months of FY2022 and this has continued post period end, up to the time of this report. We believe the investments made to merge the existing Competency





Training business and the acquired Site Skills Australia business will deliver to plan in FY2023.

Reflecting for a moment on the challenges in FY2022, and before that FY2021, the Board is pleased to report that two of the three legacy projects are now complete. The third is progressing and achieved an important technical milestone in June 2022. The Board is very thankful to our Managing Director, Linton Burns, CFO Michael Casey, and the entire Verbrec team seeing us through these projects. It has been a stressful couple of years exacerbated by the pandemic, and then floods, and we appreciate the personal sacrifices they have all made. The engineering team deserve special mention. They overcame a raft of technical challenges, which were not of their making, and were often working remotely, at home, in an isolated environment, not conducive to the normal "around the coffee machine" collaborative problem-solving environment they are used to. The result is a testament to their drive and determination now embedded in the Verbrec culture. You have all placed us in a much stronger position for future growth.

### RISK MANAGEMENT

To help strengthen our commercial scrutiny of large complex projects at the bidding stage, we were pleased earlier this year when Non-Executive Director, Sarah Zeljko accepted the role of the Chair of the Board Proposal Approval Committee. Her expertise as a commercial lawyer, including experience in large engineering and construction projects has been invaluable.

With Sarah's and the committee's guidance we have designed enhanced risk identification guidelines, improved our estimating and pricing tools, and instituted a robust commercial evaluation framework. These measures have been progressively implemented in the past 12 months, improving the way in which we evaluate and price our projects and sharpening our focus on commercial terms and risk management.

### CULTURE

All the systems in the world will not guarantee great business performance. Ultimately what drives the success of our projects is our people. We take pride in providing opportunities to work on exciting projects that are changing the world around us and providing clear career options that attract and retain committed people. To bring out the best in those people, we are building a culture that places a high value on training, responsibility and performance as well as health and safety.

Managing Director Linton Burns will discuss the success our people are achieving and the rewards they enjoy in more detail within his letter. I'll preface his comments by saying the

skills, talent and commitment of our people, as well as the progress they are making in the industries of tomorrow, bode extremely well for a bright future for Verbrec.

### SAFETY

It is with pride that I can confirm that for a sixth consecutive year, the business has achieved zero lost time injuries. This is a testament to the diligence and dedication of our people and our core values, the Verbrec Way. Safety is a priority in everything we do at Verbrec, and we will continue to ensure zero harm to our team members, our clients and our partners.

### OUTLOOK

We have record work in hand of \$77.4 million and are building a strong reputation in future industries that is attracting even more opportunities. Those opportunities are being created each day by people that I believe are the best in the industries in which we operate and they in turn attract more diverse expertise to our company.

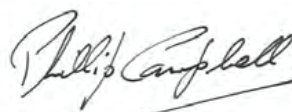
The work in hand is at margins that indicate a turnaround in cash generation and overall business profitability in the second half of FY2023. However, while we labour to conclude the last of our legacy projects, the Board will refrain from making any forecasts of full year performance for FY2023 at this stage.

A fundamental objective for the Board is restoring dividends as we recognise that shareholders invest in our company to achieve their own goals. We will keep the situation under review and should be in a better position to update investors at the half year.

### CLOSING

In closing, it is a great honour to lead an accomplished and committed Board. Although we are small in number, each brings relevant experience to our business and a diversity of perspectives that has been so vital in supporting our executive team this last year and indeed the year before that. I look forward to working with them in the coming years as we look forward to building on the many opportunities in front of us to deliver long-term value for all our stakeholders.

**YOURS SINCERELY,**



**Phillip Campbell**  
Chairman

# CEO's Letter to Shareholders



## DEAR SHAREHOLDERS,

It is with pleasure that I have had the opportunity to lead Verbrec this last financial year, continuing the transformation which began in June 2019 and establishing a firm platform for the future growth and sustainability of our business. Evidence that the transformation is producing results include a 24.6% increase in revenue over FY2021 a 1.6% uplift in gross margins and record work in hand of \$77.4 million.

It is our people who have grasped the opportunities and continue to do so, as we further transition our company to support our clients to build and transform their assets and people towards a smarter and more sustainable future by providing engineering and training solutions through full project and asset lifecycles.

Our values are what define us, and they are enshrined in the **Verbrec Way**. Through these values we stay true to our commitment to our people, partners and clients. I am therefore very happy to echo our Chairman's pride in the fact that we achieved zero lost time injuries for the sixth consecutive year, while offering additional wellbeing benefits for our team. These include health and fitness club discounts, mental health support and offering flexible working arrangements to better manage work-life balance.

## DELIVERING ON OUR PURPOSE

Through the capabilities and talent of our people, Verbrec continues to deliver on its Purpose:

***'Through strong relationships built on trust we transform assets and people.'***

Delivering on our Purpose of transforming assets for a more sustainable future FY2022 highlights include our involvement in the world's first shipment of hydrogen, a waste-to-energy project in Victoria, the construction of one of Queensland's first green hydrogen generation facilities powered entirely from solar and a hydrogen refuelling station trial in New South Wales.

Another highlight was the commercialisation of our first software product offering, StacksOn™, which provides stockpile monitoring, visualisation and prediction

functionality, increasing throughput and enabling our clients to make optimised operational decisions. We executed a multi-year licence agreement with BHP which is providing efficiencies at the mining giant's Australian mines and ports and is a testament to our innovative thinking. It is an example of how Verbrec is transforming assets for a smarter future whilst at the same time growing our recurring revenue streams, further enhancing our sustainability.

During the year we launched the Verbrec Academy which utilises the talents of our Registered Training Organisation to train and develop our team members. Through this Academy, we launched the Verbrec Emerging Leaders Program, which provides development and leadership training, including tailored mentorship. The first cohort of Verbrec's emerging leaders graduated from this program in early August with several of these graduates now in management positions. The developing capabilities of our team gives me great confidence in the future.

Beyond our own business, we share our expertise to enable others to learn new skills and develop their careers in booming sectors like construction and mining through our Industry Training RTO. I am particularly proud of the government funded job ready training programs, including positive work site behaviours and safety, which we have been providing to the under-privileged and unemployed. We are truly delivering on our Purpose of transforming people's lives!

## FY2022 FINANCIAL PERFORMANCE

Our energy transformation strategy is supporting our clients to:

- provide today's energy needs,
- transform their infrastructure to process and transport hydrogen and renewables, and
- decommission their oil & gas infrastructure.

The result of this transformation strategy is evident with a significant portion of our 24.6% increase in revenues over FY2021 coming from the energy sector. Energy transformation projects making up 55.0% of FY2022 revenues.





From a profit margin perspective, I reiterate previous advice that FY2022 would be a year of transition. It is the year in which we break the back of the impacts of the previously described three legacy projects and transition to much higher profit margin generating work. The finalisation of two legacy projects puts us in a much stronger position, evidenced by our statutory gross margins improving 1.6% over the prior year.

I am pleased to report that during FY2022, we closed two of the three legacy projects. The final legacy project, a utilities SCADA upgrade, achieved two important milestones in the second half of FY2022 entitling Verbrec to payment for the acceleration resources totalling \$1.2 million and two of the three \$0.7 million milestones in accordance with the associated settlement agreement. This project demonstrates our strong technical capability in control systems as it is one of the largest of its type undertaken in Australia, delivering a single platform to monitor and control a complex network of water and sewerage assets providing increased resilience and reduced operating costs. Yet another example of how we are transforming assets for a smarter future.

The finalisation of two legacy projects puts us in a much stronger position, evidenced by our statutory gross margins improving 1.6% over the prior year.

Our Training Services business had a difficult FY2022 as alluded to by Phillip Campbell. With the worst of the external impacts seemingly behind us and with some recent government funding and other contract successes I am confident of a strong rebound in FY2023.

### WORKING CAPITAL

Reflecting this increasingly positive outlook, we have secured an increase in our overall banking facilities with our new banking partner, Westpac. This together with additional flexibility provides the working capital to fund further growth.

### OUTLOOK

As our focus turns to delivering our record work in hand our statutory margins will progressively improve, with the gap closing between statutory (29.2% in FY2022) and underlying (34.7% in FY2022) gross margins.

The conclusion of our legacy projects and strengthening underlying margins, supported by our improved finance facilities, and above all else with the continued contributions of an outstanding, enthusiastic and passionate team, I am confident that our statutory margins will progressively trend upwards (towards underlying margins) to deliver a strong rebound in our operational performance.

Our prospects are enhanced by the significant investment pouring into our key markets. These include the energy sector and the related activity in battery metals exploration and mining, underpinned by high energy prices, investment in renewables and digital transformation across all industry sectors. Our expertise in control systems, grid connections and pipelines, uniquely positions Verbrec to play an important role in transforming assets for a more sustainable and smarter future.

I again thank the entire Verbrec team for their resilience and commitment and our Chairman Phillip Campbell for his invaluable support. We have all demonstrated that our Purpose is more than words on a poster, as we have transformed the future of our own company and the world around us for the better and I'm confident we can continue to do so with the clearer road ahead.

**YOURS SINCERELY,**



**Linton Burns**  
CEO



# Directors' Report

Your Directors present their report on the consolidated entity consisting of Verbrec Limited ("Company" or "Verbrec" or "VBC") and its controlled entities ("Group") for the financial year ended 30 June 2022.

## 1. DIRECTORS AND OFFICERS

The following persons were directors and officers of the Company during the financial year and up to the date of this report:

NAME	POSITION
Mr Phillip Campbell	Independent Non-Executive Chairperson
Mr Matthew Morgan	Independent Non-Executive Director
Ms Sarah Zeljko	Independent Non-Executive Director
Mr Brian O'Sullivan AM	Non-Executive Director
Mr Linton Burns	Chief Executive Officer and Managing Director
Mr Michael Casey	Chief Financial Officer
Mr Matthew Cooper	Chief Operating Officer
Ms Melissa Morrison	Chief People Officer (appointed 27 April 2022)
Mr Andrew Ritter	Joint Company Secretary
Mr Joel Voss	Joint Company Secretary (appointed 6 June 2022)

Information on the Directors and Officers, including former Directors and Officers, is in section 4.

## 2. PRINCIPAL ACTIVITIES & REVIEW OF OPERATIONS

### 2.1 PRINCIPAL ACTIVITIES

Verbrec is a leading mid-tier engineering, asset management, infrastructure, and training company operating across the entire asset life cycle to a diverse range of industries including energy, mining and infrastructure. The Group has more than 800 professionals operating across Australia, New Zealand, PNG, and the Pacific Islands from 16 offices throughout Australia and New Zealand and from our project delivery site offices.

The Group has a strong position in each of our two segments being Engineering and Training Services

#### ENGINEERING SERVICES

Verbrec provides a range of engineering and project management services with particular strengths in the following areas.

**Asset Management:** Specialist asset management services including maintenance and reliability engineering, asset integrity, operational readiness, material and inventory management systems that increases efficiency, reduces costs and improves productivity.

**Digital Industry:** Specialist engineering and project delivery services in controls and automation, data acquisition, industry digitalisation (including IIOT – Industrial Internet of Things), industrial data analytics and advanced algorithms.

**Infrastructure Services:** Specialist pipeline and compressor station operation and maintenance services to the gas and mining industries. We have a reputation for the highest standards in safety for our people, contractors and the general public in addition to full compliance with legislative requirements. This work is managed using a proprietary in-house 'Integrated Management and Operating System' (IMOS).

**Pipeline Engineering:** Specialist engineering and project delivery services including conceptual studies, engineering design, EPC delivery, commercial services and condition assessments. We specialise in gas, oil, water and hydro-transport (slurry) pipelines including all associated facilities including compressor stations, pumping stations, terminal facilities, pigging systems, metering systems, SCADA systems and tie-ins.

**Power:** Specialist engineering and project delivery in low voltage and high voltage electrical systems. This includes electrical distribution and reticulation, grid connections,

switchboards and motor control centres, protection systems, as well as specialist expertise and electrical equipment in hazardous areas.

**Process Plant:** Full multi-disciplinary engineering, design and procurement capabilities for all oil and gas and chemical facilities including well-head systems, gathering networks, processing facilities (physical and chemical processing), compression and pumping facilities, tank farms and distribution systems.

#### TRAINING SERVICES

Under the Competency Training and Site Skills Training brands our Registered Training Organisation (RTO 31299) provides specialist industrial training services for the Mining, Resources, Infrastructure and Manufacturing sectors. The specialty offers an extensive range of site-specific training as well as customised competency assurance services. These services range from the development of eLearning modules through to implementation of competency management programs with integrated technology components (virtual reality). Competency Training has dedicated, fully equipped training facilities (allowing for 'hands-on' training with equipment) across Australia.

### 2.2 MARKET OVERVIEW AND OUTLOOK

#### MARKET OVERVIEW

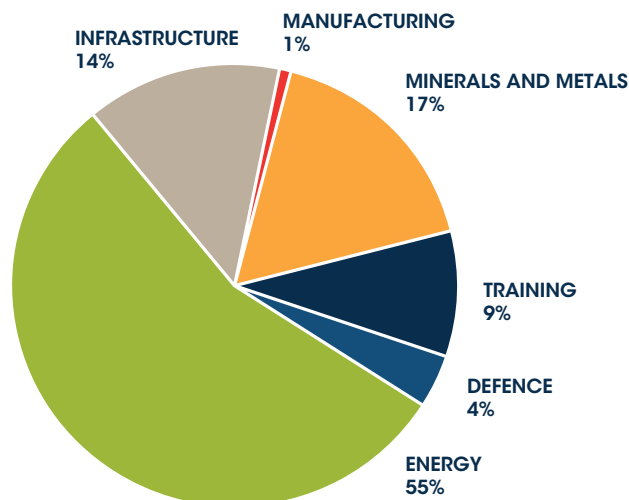
Verbrec provides engineering, asset management, infrastructure and training services to three large industry sectors of mining and minerals, energy and infrastructure. Verbrec's capabilities span the asset lifecycle from concept design, through detailed engineering, construction, commissioning, management, operations and decommissioning.

Verbrec's specialist engineering capabilities of Power, Pipelines and Digital Industries are in strong demand given the Energy (transition to net zero carbon emissions) and Digital (Industry 4.0) transformations that are currently occurring and the resultant significant investment in renewable energy projects and operational technology.

The split of FY2022 revenues across all industry sectors is shown in the below chart.



## REVENUE BY INDUSTRY SECTOR:



## MINING AND MINERALS

This sector remains very strong due to high demand for Australian iron ore combined with a mini-boom associated with battery minerals. Verbrec has a core capability servicing this sector in the areas of brown-field projects (replacing outdated equipment), digital transformation, asset management and training. Our StacksOn™ software is an example of how Verbrec is assisting mining clients operate their assets more efficiently with digital solutions.

## INFRASTRUCTURE

Government stimulus measures are accelerating infrastructure projects within the Water utility and Defence sectors. The water sector is actively upgrading legacy systems and implementing digital transformation projects to improve control and management of their assets, with Verbrec continuing to execute SCADA upgrade projects for several water utility companies. Defence continues to invest in upgrading its infrastructure with Verbrec having been awarded several power upgrade projects during the last financial year.

## ENERGY

The Energy sector is experiencing a period of significant transformation with the transition to net zero carbon emissions. The investment in renewable and alternative energy projects combined with historically high oil & gas prices, the east coast gas shortage, and the use of gas as a transition fuel is providing significant opportunities for Verbrec given its long and strong relationships with the major energy companies in Australia, New Zealand and PNG.

Verbrec has a three-pronged strategy of supporting clients to provide today's energy needs, supporting clients transform infrastructure to process and transport hydrogen and renewables and supporting clients decommission their obsolete oil & gas infrastructure.

## OUTLOOK

Each of our markets remain strong. Key commodity prices in mining and oil & gas have risen significantly from the lows seen in calendar year 2021, in addition to government stimulus supporting the infrastructure and defence sectors. This has resulted in a marked improvement in business activity in recent months with the general uncertainty in the market driven by the COVID-19 pandemic beginning to dissipate. The current order book is the strongest it has ever been along with the pipeline of work being bid on also the strongest it has been for some time.

The Group continues to focus on growing recurring revenues through long-dated engineering services and operations and maintenance agreements. The Group has 35 Master Service Agreements (up from 26 twelve months ago) and 9 Operations and Maintenance Agreements (up from 8 twelve months ago) with tier 1 companies. In addition, our Training Services division has 6 master service agreements.

During FY2022 we executed our first StacksOn™ long-term, high margin, software licence agreement with BHP. BHP have committed to implementing StacksOn™ at all of their Western Australia iron ore mine sites and ports. We intend to further commercialise and develop this 3D stockpile visualisation software to position the offering as a market leader.

Finally, we also intend to continue to identify and pursue further merger and acquisition opportunities with a particular focus on bolt-on acquisitions. The strategic rationale for bolt-on acquisitions is that they integrate into our existing service offering thus providing opportunities to expand our capability, add scale and extract synergies. Merger and acquisition opportunities will be pursued in our existing core markets and geographies. Increased scale provides opportunities to expand margins through improved cost coverage.

## 2.3 SIGNIFICANT RISKS

## MARKET RISKS

FY2022 has seen a significant rebound in the core markets we operate in from 12-18 months ago when the uncertainties of COVID-19 negatively impacted markets globally. Commodity prices have been and are expected to remain strong into the foreseeable future as a result of geo-political tensions, strong demand for energy and



commodities and the global transition to renewables and digital industry. Government infrastructure spend provided as a COVID-19 stimulus has and will continue to deliver projects in our core capabilities.

Whilst our training business continued to be impacted by COVID-19 during FY2022, we have seen a rebound in course bookings in the final quarter of FY2022 as restrictions on the community have been lifted. Any further lockdowns could have a negative impact on training revenues.

The shortage of skilled labour in both Australia and New Zealand has emerged as a risk for the Group as borders have been closed due to COVID-19. The Group has various strategies currently in place to mitigate the risk and ensure the Group continues to attract and retain quality staff. The skills shortage however is an opportunity for the training business as labour has the potential to retrain in new qualifications.

Inflationary pressure particularly connected to wages and procurement activities is also prevalent within our markets. The Group includes index rise and fall clauses in contracts where appropriate to mitigate the risk.

## REGULATORY RISKS

The Group is subject to local laws and regulations in each of the jurisdictions in which it operates. Furthermore, the Group operates in both the Engineering and Training segments predominately within Australia and New Zealand. Future laws or regulations may be introduced affecting engineering and training companies and if this occurred, it could restrict or complicate the Group's activities. Any such impacts may adversely impact the Group's future operating and financial performance.

## LITIGATION AND INDUSTRY RISKS

In the course of its business, the Group is exposed to potential legal and other claims or disputes, including litigation from employees, regulators or third parties. Further, the engineering industry in which the Company operates involves risks associated with safety, structural defects, environmental investigations and general litigation. With litigation comes risks and should an adverse decision transpire from a potential litigation claim, this could have a materially adverse impact on the financial performance of the Company. Appropriate insurances are held by the Group.

## GEOGRAPHIC RISKS

The Group has a diversified geographic footprint with operations across Australia and New Zealand, and the Group also executes projects in Papua New Guinea and

the Pacific Islands. The work outside of Australia and New Zealand presents some risks in terms of safety during visits but these are well managed and mitigated.

The Group's business is predominantly based on serving the mining and mineral processing, hydrocarbons (oil & gas and chemicals) and infrastructure (particularly water) industries. As such the Group's business would be impacted if there was a deterioration in demand for engineering, project delivery, asset services and/or training services in one or more of these industries.

The business may also be affected by changes in the nature of the engineering industry, such as changes to demand for different commercial models for project delivery or asset services.

## CYBER SECURITY, DATA PROTECTION AND THIRD-PARTY TECHNOLOGY PROVIDERS

The Group's business relies on a complex information and technology platform to manage the delivery of its projects and training services. Cyber threats that seek to attack and undermine the Group's systems and data may result in information or data loss, operational disruption, brand and reputational damage, financial loss or regulatory intervention leading to the inability to secure future work opportunities.

The Group has invested significantly in its Information Management Framework to reduce the risk to ensure business continuity and recovery of critical business services in a timely manner should the need arise. Compliance is monitored using internal and external audits.

## FINANCIAL RISKS

The Group's ongoing financial strength depends on the Group's ability to generate earnings and to make interest and principal repayments on its debt. Contract performance failure may lead to services not being delivered on time or according to budget resulting in financial loss, reputational damage and the inability or reduced ability to secure future work.

Availability to suitable financing facilities is also important to the Group. During August 2021, the Group renegotiated its Multi-Option Facility with National Australia Bank. The outcomes of the negotiations included:

- A temporary \$1.5 million increase until 30 June 2022 on the available overdraft facility (total \$3.0 million).
- Deferral of the \$0.3 million amortisation payment due on the corporate markets loan on 30 September 2021 until March 2022.



- Waiver of the July and August 2021 covenant requirements and amendments to the Senior Operating Leverage ("SOL") covenant calculation from September 2021 onwards. The SOL was subsequently waived for each month of FY2022.

In August 2022, the Group entered into a new financing agreement with Westpac Banking Corporation. Details of the new facility can be found in 2.6 below.

Verbrec may at some point in the future have a requirement to raise additional capital (whether debt, equity or hybrid) in order to continue growing, meet financial obligations and increase its profitability. As a listed entity, the Group has many options open to it should future capital be required.

The Group's revenue and profitability is highly correlated to spending levels by resource, energy, infrastructure and other businesses which use engineering services, which in turn could be affected by changes in macroeconomic conditions in Australia, New Zealand and internationally. Changes in the macroeconomic environment are beyond the control of the Group and include, but are not limited to:

- Global commodity prices (including exchange rate risk) – particularly in oil and gas, iron ore and coal;
- Changes in government investment and legislation – particularly in both the water and commodity sectors;
- Changes in aggregate investment and economic output; and
- Changes in employment levels and labour costs, wage inflation and changes in industrial relations laws, which will affect the cost structure of the Group.

## 2.4 ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group has determined that no particular or significant environmental regulations apply to its operations.

The Directors have considered climate-related risks and do not currently deem there to be an associated material risk to the Group's operations and the amounts recognised in the financial statements. The Group continues to monitor climate-related and other emerging risks and the potential impact on the financial statements. Potential impacts of legislation or other factors on our clients with regard to greenhouse gas emissions are regarded as presenting more opportunities than risks for the Group.

## 2.5 COVID-19 SUBSIDIES

No Group entities received the Australian Government's JobKeeper wage subsidy scheme in FY2022 (FY2021: \$1.5 million received).

## 2.6 AFTER BALANCE DATE EVENTS

On 2 August 2022 a new finance facility was executed with Westpac Banking Corporation. The new facilities are generally on improved terms and provide greater flexibility than those that they replace. The new facility has an overall size of \$23.8 million made up of the following key features:

- Flexible Option Revolving Facility providing for both overdraft and bank guarantee sub-facilities
- Invoice Finance Facility
- SME Business Recovery Loan (Single Drawdown, 10-year term)
- Equipment Finance Revolving Facility
- Business Credit Card Facility

The facilities are on-going subject to half-yearly and yearly reviews and covenant reporting.

The combination of the overdraft, invoice finance and business loan sub-facilities provide flexibility to fund growth. Changes to the calculation of the leverage ratio also provides flexibility moving forward.

An orderly transition between the National Australia Bank and Westpac facilities will occur in the coming months.

The Directors are not aware of any other matters or circumstances not otherwise dealt with in this report or the financial report that have, or may, significantly affect the operations or state of affairs of the Group in future years.

### 3. REVIEW OF FINANCIAL PERFORMANCE

#### 3.1 FINANCIAL PERFORMANCE OVERVIEW

A summary of the Group's operating results for the year ended 30 June 2022 is below:

	2022 \$'000 (audited)	2021 \$'000 (audited) (Restated)
<b>Revenue</b>	<b>121,392</b>	97,413
Earnings before interest, tax, depreciation, amortisation and impairment ("EBITDAI")	<b>2,992</b>	317
<b>Loss before tax</b>	<b>(3,433)</b>	(4,154)
Income tax benefit/(expense)*	<b>296</b>	(338)
<b>Loss for the year attributable to equity holders in the Company</b>	<b>(3,137)</b>	(4,492)
EBITDAI/ EBITDA Normalised (\$'000)	<b>10,128</b>	7,729

\* No tax payable in Australia since Verbrec Limited has accumulated tax losses totalling \$29.9 million (FY2021: \$28.3 million).

Below is the reconciliation between loss for the year and EBITDAI/EBITDA Normalised:

	2022 \$'000	2021 \$'000
<b>Loss for the year attributable to equity holders in the Company</b>	<b>(3,137)</b>	(4,492)
Income tax (benefit)/expense	<b>(296)</b>	338
<b>Loss before tax</b>	<b>(3,433)</b>	(4,154)
Add:		
- Finance cost	<b>693</b>	388
- Depreciation and amortisation	<b>4,866</b>	4,083
- Impairment charge on Goodwill	<b>866</b>	-
<b>EBITDAI</b>	<b>2,992</b>	317
Merger/acquisition transaction costs and other one-offs	<b>402</b>	878
JobKeeper	-	(1,498)
ERP write-off	-	847
3 material loss making jobs	<b>6,734</b>	7,185
<b>EBITDAI/ EBITDA Normalised</b>	<b>10,128</b>	7,729



The Group's financial results for FY2022 compared to the financial results for FY2021 are as follows:

- Revenue of \$121.4 million, up from revenue of the Group of \$97.4 million for the 2022 financial year;
- EBITDAI of \$3.0 million, up from an EBITDAI of the Group of \$0.3 million for the 2022 financial year;
- EBITDAI as a percentage of revenue at 2.5%, up from a percentage of the Group of 0.3% for the 2022 financial year;
- Loss before tax of \$3.4 million, up from a loss before tax of the Group of \$4.2 million for the 2022 financial year; and
- Loss after tax of \$3.1 million, up from a loss after tax of the Group of \$4.5 million for the 2022 financial year.

EBITDAI is a non-IFRS earnings measure which does not have any standardised meaning prescribed by IFRS and therefore may not be comparable to EBITDA presented by other companies. This measure, which is unaudited, is important to management as an additional way to evaluate the Company's performance.

### **3.2 WORKING CAPITAL MANAGEMENT**

The Group reduced its operating cash flows with a net operating inflow of \$3.1 million (2021: outflow of \$1.6 million).

### **3.3 STATEMENT OF FINANCIAL POSITION**

The Group's total assets increased to \$62.1 million in 2022 (2021: \$59.5 million). The end of year cash balance of \$6.4 million decreased from \$8.3 million in 2021.

The net assets of the Group decreased to \$22.5 million at 30 June 2022 (2021: \$25.5 million).

The Group's total liabilities increased to \$39.5 million at 30 June 2022 (2021: \$34.0 million), due to increases in both trade and other payables, contract liabilities and lease liabilities.

At 30 June 2022, the Group had utilised \$6.5 million of its \$8.6 million NAB Multi Option Facility. The composition of the \$8.6 million was made up of \$0.6 million of the Corporate Markets loan and \$7.5 million of the Bank Guarantee Facility. None of the Group's \$0.5 million Business Overdraft Facility had been utilised.

### **3.4 DIVIDENDS**

Verbrec Limited did not declare any dividend in the 2022 financial year, or after the end of the financial year (FY2021: \$Nil).





## 4. INFORMATION ON DIRECTORS AND OFFICERS

The information on the current Directors of Verbrec Limited is as follows:

Mr Phillip Campbell

TITLE	INDEPENDENT NON-EXECUTIVE DIRECTOR AND CHAIRPERSON
Details	Appointed Director on 22 October 2019 and Chairperson on 26 February 2020
Qualifications	B. Electrical and Electronics Engineering – University of Queensland, GAICD
Experience	Phillip is an experienced independent non-executive director on publicly listed and private company boards. He has executive experience (MD/CEO roles) in a range of national manufacturing and engineering businesses and has significant experience in expanding and developing businesses.
Special responsibilities	Chairperson of the Board Chairperson of the Nomination & Remuneration Committee Member of the Board Proposal Approval (Projects) Committee (Chair until 25 March 2022) Member of the Audit & Risk Committee
Directorships of other listed companies (current or held within the last 3 years)	Fleetwood Corporation Limited (ASX:FWD) – resigned on 26 February 2021 Vmoto Limited (ASX:VMT) – resigned on 4 November 2020
Interests in the Company	580,000 ordinary shares

Mr Matthew Morgan

TITLE	INDEPENDENT NON-EXECUTIVE DIRECTOR
Details	Appointed 22 October 2019
Qualifications	B. Commerce, B. Applied Science, MBA – Queensland University of Technology, Kauffman Fellow
Experience	Matthew is an experienced independent non-executive director on publicly listed and private company boards. He began his career as an institutional venture capital fund manager with QIC Limited and has significant commercial experience including mergers and acquisitions and capital raising.
Special responsibilities	Chairperson of the Audit & Risk Committee Member of the Nomination & Remuneration Committee
Directorships of other listed companies (current or held within the last 3 years)	Total Brain Limited (ASX:TTB) Leaf Resources Limited (ASX:LER) – resigned on 21 December 2020
Interests in the Company	449,633 ordinary shares



Ms Sarah Zeljko

<b>TITLE</b>	<b>INDEPENDENT NON-EXECUTIVE DIRECTOR</b>
Details	Appointed 1 September 2020
Qualifications	B. Laws – Bond University, GAICD, GAIST
Experience	Sarah joined the Verbrec Board in September 2020, bringing her extensive executive, operational, governance and advisory experience gained across multiple large ASX listed, government and private corporations. She is recognised for her commercial acumen in negotiating commercial agreements, and experience in capital raising, M&A, construction, infrastructure and project management. Sarah is a Graduate of the Australian Institute of Company Directors (GAICD), a Graduate of the Australian Superannuation Trustees (GAIST) and an admitted Legal Practitioner. She has previously held roles as General Counsel and Company Secretary for G8 Education (ASX:GEM), the Wiggins Island Coal Export Terminal (WICET) and Cement Australia. Sarah currently holds positions on the Boards of Powerlink, LGAISuper, Unitywater, Intellidesign and Stockyard Beef.
Special responsibilities	Chairperson of the Board Proposal Approval (Projects) Committee (appointed 25 March 2022, Member until that date) Member of the Audit & Risk Committee Member of the Nomination & Remuneration Committee
Directorships of other listed companies (current or held within the last 3 years)	N/A
Interests in the Company	Nil.

Mr Brian O'Sullivan AM

<b>TITLE</b>	<b>NON-EXECUTIVE DIRECTOR</b>
Details	Appointed 28 June 2019
Qualifications	B. Engineering (Mechanical) – University of Queensland, Post Grad Diploma Management, Fellow IEAust, MAICD
Experience	As the former founder and Chairman of OSD Pty Ltd, Brian has experience in energy related developments, with a strong emphasis on oil and gas pipeline and facilities projects. He has over 30 years' experience in business management, project management and engineering, primarily direct design and construction experience with major pipelines and petrochemical facilities in Australia, PNG and South East Asia. Brian's key strengths include a strong technical knowledge and an in-depth understanding of commercial business activities. Brian has been a company director holding board positions for a range of entities, including Chairman of the Australian Muscular Dystrophy Foundation.
Special responsibilities	Member of the Audit & Risk Committee Member of the Nomination & Remuneration Committee Member of the Board Proposal Approval (Projects) Committee
Directorships of other listed companies (current or held within the last 3 years)	N/A
Interests in the Company	69,410,779 ordinary shares

## 4.2 INFORMATION ON CURRENT OFFICERS

The information on the current officers of Verbrec Limited is as follows:

Mr Linton Burns

TITLE	MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER
Details	Appointed 28 September 2020 (previously Executive Director – Transition, appointed on 28 June 2019)
Qualifications	B. Arts (Accounting) – University of South Australia
Experience	Linton has over 25 years' commercial, financial business and management experience including leading corporate transactions such as mergers and acquisitions and IPO's. Prior to being appointed to his role with Verbrec, Linton was Managing Director of OSD and has held other CFO and COO positions with ASX and Nasdaq listed companies. Linton was appointed Managing Director & Chief Executive Officer of Verbrec Limited on 28 September 2020.
Special responsibilities	Member of the Board Proposal Approval (Projects) Committee
Interests in the Company	6,001,844 ordinary shares 3,937,500 performance rights

Mr Michael Casey

TITLE	CHIEF FINANCIAL OFFICER
Details	Appointed 12 February 2020
Qualifications	B. Business (Accy) – Queensland University of Technology, Chartered Accountant ANZ, Graduate Member of the Australian Institute of Company Directors (GAICD)
Experience	Michael is an Australian Chartered Accountant with over 25 years' senior finance experience. Prior to joining Verbrec, Michael held senior finance and commercial positions in companies including FLSmidth, Ausenco Ltd and Cardno Ltd and he has significant listed entity experience. Michael is responsible for all of Verbrec's finance functions and other Corporate Services including Legal, Contracts & Procurement and ICT.
Special responsibilities	N/A
Interests in the Company	1,600,000 performance rights



Mr Matthew Cooper

<b>TITLE</b>	<b>CHIEF OPERATING OFFICER</b>
Details	Appointed 17 May 2021
Qualifications	B. Technology (Mechanical), MBA, Certified Project Director (RegPM CPPD) and an Industry-Accredited Risk and OHS practitioner
Experience	Matt has previously held executive positions with several high-profile contracting and consulting companies, along with senior operational and project positions with Arrow Energy and BHP. Most recently, Matt was the General Manager of Energy Infrastructure Management (EIM), which was acquired by Verbrec in December 2020.
Special responsibilities	N/A
Interests in the Company	400,000 performance rights

Ms Melissa Morrison

<b>TITLE</b>	<b>CHIEF PEOPLE OFFICER</b>
Details	Appointed 27 April 2022
Qualifications	B. Business Public Administration, Graduate Member of the Australian Institute of Company Directors (GAICD)
Experience	Melissa has over 20 years' experience in management of People and Culture teams within multinationals, not for profits and ASX listed corporations. She has significant expertise in developing commercially focused strategic plans for the people and culture function, implementing innovative strategies that has direct link to business results and outcomes. Melissa's experience is across multiple industries including mining, resources, manufacturing and distribution, in complex industrial relations operating environments. As part of leading people and culture teams, she has led large scale change programs to support corporations in achieving significant growth, whilst ensuring these corporations are well positioned to attract and retain their talent.
Special responsibilities	N/A
Interests in the Company	Nil.

Mr Andrew Ritter

<b>TITLE</b>	<b>JOINT COMPANY SECRETARY</b>
Details	Appointed 28 February 2020
Qualifications	B. Commerce (University of Queensland), Chartered Accountant ANZ, Fellow of Governance Institute of Australia FCIS
Experience	Andrew has over 22 years of international finance and governance experience with 15 years as CFO and Company Secretary of publicly listed global organisations. He provides CFO and company secretarial consulting services for ASX listed and unlisted companies.
Special responsibilities	N/A
Interests in the Company	Nil.



Mr Joel Voss

TITLE	JOINT COMPANY SECRETARY
Details	Appointed 6 June 2022
Qualifications	Master of Business Administration (Central Queensland University), Affiliate Member of Governance Institute of Australia GIA
Experience	Joel has over 15 years of contracts, procurement and commercial management experience and in addition to his Company Secretarial duties is the Contracts and Procurement Manager for Verbrec Limited and its associated subsidiary companies.  Joel joined OSD Pty Ltd in 2016 and has been a senior member of Verbrec's management team for several years. Joel has contributed to the award and success of many major projects, was actively involved in the acquisition of EIM and the asset acquisition of Site Group International, provides commercial guidance to key company stakeholders and acts as the main conduit between the company and its various legal advisers, insurers and regulators.
Special responsibilities	N/A
Interests in the Company	181,745 ordinary shares

## 4.3 MEETINGS OF DIRECTORS

The number of meetings of Directors (including meetings of committees of Directors) of Verbrec Limited, and number of meetings attended by each of the Directors, during the financial year are:

DIRECTOR	BOARD MEETINGS		AUDIT & RISK COMMITTEE MEETINGS		NOMINATION AND REMUNERATION COMMITTEE MEETINGS		BOARD PROPOSAL APPROVAL COMMITTEE MEETINGS	
	A	H	A	H	A	H	A	H
Phillip Campbell	12	12	3	3	1	1	8	8
Matthew Morgan	11	12	3	3	1	1	-	-
Sarah Zeljko <sup>^</sup>	12	12	3	3	1	1	7	8
Brian O'Sullivan	11	12	3	3	-	1	8	8
Linton Burns	12	12	3 <sup>#</sup>	3	1 <sup>#</sup>	1	8	8

A - Number of meetings attended.

H - Number of meetings held during the time the Director was a member of the Board or Committee.

<sup>^</sup> - Sarah Zeljko was appointed Chair of BPAC on 25 March 2022

<sup>#</sup> - Linton Burns attended as an invitee however is not a member of the Audit and Risk Committee or the Nomination and Remuneration Committee.



## 5. INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS, AND AUDITORS

Under the Company's Constitution, the Company indemnifies each current and former Director and Officer of the Group against certain liabilities and costs incurred by them in their engagement by the Group, except where the liability arises out of conduct involving a lack of good faith. The Company also indemnifies each current and former Director and Officer of the Group against certain liabilities and costs incurred when the Director or Officer acts as a Director or as an Officer of another body corporate at the Company's request and the liability or cost is incurred in that capacity.

Neither indemnity extends to liabilities or costs from which the Company is prohibited from indemnifying current or former Directors and Officers under the Corporations Act 2001 (Cth).

In addition, the Company has entered into Deeds of Access, Indemnity and Insurance with its Directors and Officers of the Group. Under those Deeds, the Company agrees to matters including the following:

- Indemnify the Director or Officer to the extent permitted by law and under the Company's Constitution; and
- Maintain a directors' and officers' insurance policy.

Since the end of the previous financial year the Group has paid insurance premiums of \$196,500 (2021: \$160,500) in respect of directors' and officers' liability insurance policies.

Verbrec has agreed to reimburse Grant Thornton for any liability (including reasonable legal costs) that Grant Thornton incur in connection with any claim by a third party arising from a breach by Verbrec Limited of its agreement with Grant Thornton.

## 6. CORPORATE GOVERNANCE STATEMENT

Verbrec Limited and the Board are committed to achieving and demonstrating the highest standard of corporate governance. Verbrec Limited reviews its corporate governance practices annually against the Corporate Governance Principles and Recommendations published by the ASX Corporate Governance Council and in line with the ASX Listing Rules. The 2022 Corporate Governance Statement is dated as at 30 June 2022 and reflects the corporate governance practices in place throughout the FY2022 financial year. The 2022 Corporate Governance Statement was approved by the Board on 30 August 2022.

A description of Verbrec Limited's current corporate governance practices is set out in the Corporate Governance Statement which can be viewed at [www.verbrec.com/investor-center/corporate-governance](http://www.verbrec.com/investor-center/corporate-governance).

## 7. REMUNERATION REPORT – AUDITED

The Directors present the Verbrec Limited remuneration report, which has been audited, for the financial year ended 30 June 2022, outlining key aspects of the consolidated entity's remuneration policy and framework and remuneration awarded this year.

This Remuneration Report outlines the Key Management Personnel ("KMP") remuneration arrangements of the Group in accordance with the requirements of the Corporations Act 2001 (Cth) and its Regulations. For the purposes of this report the KMP of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director (whether executive or otherwise).

The report is structured as follows:

7.1 Overview of the Company's approach to executive reward

7.2 Remuneration governance;

7.3 Elements of remuneration;

7.4 KMP remuneration;

7.5 Notice period and other non-monetary benefits under the Company's service contracts with executives;

7.6 Non-executive director arrangements;

7.7 Movement in shares;

7.8 Options and performance rights; and

7.9 Other statutory information.

### 7.1 OVERVIEW OF THE COMPANY'S APPROACH TO EXECUTIVE REWARD

The Board has adopted a remuneration policy for the consolidated entity that considers the current size and nature of the Company's operations.

Remuneration of KMPs is set at levels to reflect market conditions and encourage the continued services of KMP, including by benchmarking KMP remuneration to determine where roles are currently positioned, reviewing base salary, any short-term incentive ("STI") and any long-term incentive ("LTI").

The Company's remuneration strategy recognises and rewards performance in a way that is consistent with general practices in the markets in which the Company operates.

The Company's remuneration philosophy is focused on the following key principles and approaches:

- align rewards to business outcomes that deliver value to shareholders;
- to drive a high-performance culture by setting challenging objectives and rewarding high performing individuals
- assist in the attraction and retention of highly skilled individuals; and
- be competitive within the employment markets in which the Company operates.

This report specifically sets out remuneration information for the key people who can directly influence the long term strategic direction of the Company and had the authority for planning, directing and controlling the affairs of the Company during the financial year ended 30 June 2022, and continue to have going into FY2023. They include the Chief Executive Officer and other key executives and non-executive directors of the Company as set out below:

#### NON-EXECUTIVE AND EXECUTIVE DIRECTORS

The non-executive and executive Directors for Verbrec Limited for FY2022, and continuing (unless noted as resigned), are:

NAME	POSITION
Phillip Campbell	Chairperson & Independent Non-Executive Director
Matthew Morgan	Independent Non-Executive Director
Sarah Zeljko	Independent Non-Executive Director
Brian O'Sullivan	Non-Executive Director
Linton Burns	Managing Director & Chief Executive Officer



## OTHER KEY MANAGEMENT PERSONNEL

The key management personnel who are not directors for Verbrec Limited for FY2022, and continuing (unless noted as resigned), are:

NAME	POSITION
Michael Casey	Chief Financial Officer
Matthew Cooper	Chief Operating Officer
Melissa Morrison	Chief People Officer (appointed 24 April 2022)

## 7.2 REMUNERATION GOVERNANCE

To determine the remuneration of its KMP the consolidated entity has a Nomination and Remuneration Committee ("Committee"). The Committee makes recommendations to the Board in relation to the remuneration of KMP, including the fixed and at-risk components of remuneration. Based on the information and recommendations provided by the Committee, the Board applies its discretion to determine the remuneration, including any changes to fixed components of KMP as well as any awards under the STI and LTI Plans. The Committee assists the Board in reviewing the Company's remuneration policies and practices, and in selecting and appointing directors of the Company. The proceedings of each Committee meeting are reported directly to the Board. The chairperson of the Committee is an independent Non-Executive Director. The Managing Director & Chief Executive Officer is invited to attend the Committee meetings for those parts that are appropriate.

The primary objective of Verbrec's executive remuneration strategy is creating a framework that supports sustainable growth over the long term, recognising that this is in the interests of all stakeholders. This framework seeks to reward, retain, and motivate senior executives in a manner aligned with shareholders' interests.

The Committee engaged the services of an independent remuneration consultant (Godfrey Remuneration Group Pty Limited) during the prior financial year to assist in the discharge of its responsibilities, specifically for the development and implementation of a performance rights long term incentive plan.

## 7.3 ELEMENTS OF REMUNERATION

The remuneration and other terms of employment for the Group's executive KMP are formalised in Executive Service Agreements (ESA) and incentive plans. The total remuneration packages for these executive KMP contain:

- A Total Fixed Remuneration component (TFR) – Comprises salary plus superannuation capped at the concessional contribution limit. Fixed remuneration is set with reference to role, market, relevant experience, and performance. It is reviewed annually; and
- An at-risk remuneration component – The Board considers that the financial and operational performance and prospects of the Company are strongly linked to creating shareholder wealth. Accordingly, the Board has put in place at-risk components to remuneration based on success in delivering on pre-defined targets. The at-risk components are in the form of:

› Short Term Incentive (STI) – payable in cash. Entitlement to any STI is based on Verbrec's financial and operational performance over FY2022, in addition to individual performance measures; and

› Long Term Incentive (LTI) – the performance rights plan was developed during FY2021 and approved by the Company's Shareholders at the Annual General Meeting held on 27 November 2020.

### 7.3.1 SHORT-TERM INCENTIVES

The performance measures are set annually after consultation with the Directors and the executives and are specifically tailored to the areas where each Executive has a level of control. The measures target areas the Board believes hold the greatest potential for expansion and profit and cover financial and non-financial measures.

The performance measures for the STI comprise a combination of individual and Group specific performance targets that are consistent with the relevant Business Unit plans and the Board approved budget for the financial year. Key Performance Indicators (KPIs) include measures such as health and safety gates, achievement of budgeted EBIT and revenue, achievement of bid gross margin for major projects and working together as a team. For any payment of STI, achievement of the KPIs and the Group's EBIT must be achieved, meaning that bonus payments must be funded from performance.

The Board has the final discretion on individual performance of an executive KMP and applies such determination as a modifier to increase or decrease the STI payable.

A strict interpretation of the STI rules for FY2022 resulted in the Committee determining that no STI was payable in respect of FY2022 under those rules. However, in consideration of performance, the Board has determined to make discretionary STI payments as disclosed in 7.3.4.

### 7.3.2 LONG-TERM INCENTIVES

During FY2022, a total of 3,168,750 (FY2021: 2,768,750) performance rights were issued to Key Management Personnel under the plan approved by the Company's Shareholders at the Annual General Meeting held on 26 November 2021.

Performance Rights held by Key Management Personnel are as follows:

KMP	GRANT DATE	NUMBER GRANTED	VESTED	OUTSTANDING AT 30 JUNE 2022
Linton Burns	27/11/2020	1,968,750	-	1,968,750
Linton Burns	26/11/2021	1,968,750	-	1,968,750
Michael Casey	21/11/2020	800,000	-	800,000
Michael Casey	20/12/2021	800,000	-	800,000
Matthew Cooper	20/12/2021	400,000	-	400,000

The key terms of the issues are as follows:

**Term** Each Right has a term of 15 years and if not exercised within that term the Rights will lapse.

FINANCIAL YEAR	TRANCHE	GRANT DATE	VESTING DATE	GRANT DATE VALUE
FY21	1	27/11/2020	30/6/2023	\$0.055
FY21	2	21/12/2020	30/6/2023	\$0.076
FY22	1	26/11/2021	30/6/2024	\$0.023
FY22	2	15/12/2021	30/6/2024	\$0.020
FY22	3	16/12/2021	30/6/2024	\$0.020
FY22	4	20/12/2021	30/6/2024	\$0.028

**Measurement Period** The Measurement Period for all Rights is from the commencement of the respective financial year until the end of three full financial years i.e. three financial years.

**Service Condition** Service during the first year of the Measurement Period is a requirement in order for all Rights that are the subject of this Invitation to become eligible to vest.

**Gate** For any vesting of Performance Rights to occur, the Company's total shareholder return (TSR) must be positive over the Measurement Period. TSR is the percentage gain for Shareholders over a specified period from share price growth and dividends assuming that dividends are reinvested into Shares.

**Earnings Per Share Growth (EPSG) Vesting Condition** The vesting condition for the Performance Rights is EPSG as measured on a compound annual growth rate (CAGR) basis. The CAGR is calculated by comparing the EPS for the last year of the Measurement Period (Final EPS) with the EPS for the year prior to the commencement of the Measurement Period (Base EPS) and calculating the compound annual growth rate required to move from the Base EPS to the Final EPS over the term of the Measurement period. EPS is calculated using normal accounting protocols.



PERFORMANCE LEVEL	CAGR FOR EPSG OVER MEASUREMENT PERIOD	VESTING %
Stretch	≥20%	100%
Between Target & Stretch	>15% & <20%	Pro-rata
Target	15%	50%
Between Threshold & Target	>10% & <15%	Pro-rata
Threshold	10%	25%
Below threshold	<10%	0%

It should be noted that vesting above the target outcome is not likely, nor should it be expected. The Board retains discretion to modify vesting outcomes, if it deems it appropriate to do so.

#### Vesting and Vesting Date

If and when Rights vest, a Vesting Notice will be issued specifying the Vesting Date. Rights will typically vest following the completion of the Measurement Period based on an assessment of the Vesting Conditions, however Rights may vest before the end of the Measurement Period in some circumstances (refer to Rules, for example in the case of a delisting).

#### Exercise Price

The Exercise Price for Performance Rights is nil.

### 7.3.3 PROPORTIONS OF FIXED AND AT-RISK REMUNERATION

The table below sets out Verbrec's target mix of fixed and at-risk components for each of the executive KMP of the Group for FY2022 as a percentage of total potential remuneration:

NAME	TITLE	FIXED REMUNERATION (TFR)	STI (MAXIMUM) % OF TFR	LTI (MAXIMUM) % OF TFR
Linton Burns	Managing Director & Chief Executive Officer	\$451,874	50%	70%
Michael Casey	Chief Financial Officer	\$321,874	25%	40%
Matthew Cooper	Chief Operating Officer	\$321,874	25%	20%
Melissa Morrison	Chief People Officer (appointed 27 April 2022)	\$247,500	20%	20%

On 1 July 2022, the superannuation component of the fixed remuneration has been increased in line with the legislated superannuation guarantee increase (10.5%) up to the maximum contribution base.

### 7.3.4 DISCRETIONARY STIs AWARDED

In consideration of performance, a discretionary STI of \$0.025 million was awarded to Michael Casey (FY2021: \$0.075 million was paid to Linton Burns).

### 7.3.5 CONSEQUENCES OF PERFORMANCE ON SHAREHOLDER WEALTH

In determining the award under the STI and LTI plans for Verbrec, regard was had to the following indices that relate to Verbrec Limited for the year ended 30 June 2022.

	2022	2021 (Restated)
EBITDAI(\$'000)	<b>2,992</b>	317
EBITDAI Normalised (\$'000)	<b>10,128</b>	7,729
EBIT(\$'000)	<b>(2,740)</b>	(3,766)
Basic earnings per share (cents per share)	<b>(1.4)</b>	(2.2)
Diluted earnings per share (cents per share)	<b>(1.4)</b>	(2.2)



## 7.4 KMP REMUNERATION

## DIRECTORS' REPORT (CONTINUED)

Name	Year	Fixed remuneration					Variable remuneration					Proportion of remuneration performance related	Value of options and Rights as proportion of remuneration	
		Salary¹ & Fees	Non-monetary benefits	Annual and long service leave⁴	Post-employment benefits	Termination benefits³	STI Cash Bonus⁴			Performance Rights⁵	Total			
							\$	\$	\$					\$
Non-Executive Directors														
Phillip Campbell	FY22	120,000	-	-	-	-	-	-	-	-	-	120,000	-	-
	FY21	114,000	-	-	-	-	-	-	-	-	-	114,000	-	-
Sarah Zejko	FY22	75,000	-	-	-	-	-	-	-	-	-	75,000	-	-
	FY21	61,250	-	-	-	-	-	-	-	-	-	61,250	-	-
Brian O'Sullivan	FY22	195,000	-	-	-	-	-	-	-	-	-	195,000	-	-
	FY21	146,250	-	-	-	-	-	100,000	-	-	-	246,250	40.61	-
Matthew Morgan	FY22	75,000	-	-	-	-	-	-	-	-	-	75,000	-	-
	FY21	71,250	-	-	-	-	-	-	-	-	-	71,250	-	-
Total Non-Executive Director Remuneration		FY22	465,000	-	-	-	-	-	-	-	-	465,000	-	-
		FY21	392,750	-	-	-	-	-	100,000	-	-	492,750	20.29	-
Executive Directors														
Brian O'Sullivan (up to 28 September 2020)	FY21	208,092	1,002	-	11,849	171,384	-	-	-	-	-	392,327	-	-
	FY22	428,306	223	16,434	23,568	-	-	-	44,981	513,512	8.76	8.76	8.76	8.76
Linton Burns (appointed as CEO and Managing Director 28 Sept 2020)	FY21	433,967	-	11,837	24,199	-	68,493	-	108,281	646,777	27.33	16.74	16.74	16.74
	FY22	428,306	223	16,434	23,568	-	-	44,981	513,512	8.76	8.76	8.76	8.76	8.76
Total Executive Directors		FY21	642,059	1,002	11,837	36,048	171,384	68,493	108,281	1,039,104	17.01	10.42	10.42	10.42
Executives														
Chris O'Neill (resigned 25 September 2020)	FY21	171,813	-	-	12,426	425,755	-	-	-	609,994	-	-	-	-
	FY22	37,211	-	266	3,721	-	-	-	41,199	-	-	-	-	-
Melissa Morrison (appointed as CFO 27 April 2022)	FY21	-	-	-	-	-	-	-	-	-	-	-	-	-
	FY22	298,306	-	(2,558)	23,568	-	-	11,088	330,404	3.36	3.36	3.36	3.36	3.36
Matt Cooper (appointed as COO 17 May 2021)	FY21	34,420	-	-	2,719	-	-	-	37,139	-	-	-	-	-
	FY22	298,306	1,864	16,660	23,568	-	25,000	22,176	387,574	12.17	5.72	5.72	5.72	5.72
Michael Casey	FY21	281,121	3,734	16,063	22,630	-	-	60,800	384,348	15.82	15.82	15.82	15.82	15.82
	FY22	596,612	1,864	14,102	47,136	-	25,000	33,263	717,977	8.11	4.63	4.63	4.63	4.63
Total Executives		FY21	487,354	3,734	16,063	37,775	-	60,800	1,031,481	5.89	5.89	5.89	5.89	5.89

1. Salary payments includes only paid leave entitlements.

(a) Philip Campbell receives a fee of \$120,000 per annum as Non-Executive Director and Chair.

(b) Sarah Zejko and Matthew Morgan receive a Non-Executive Director fee of \$75,000 per annum.

(c) Brian O'Sullivan receives a Non-Executive Director fee of \$75,000 per annum and a Development Advisor fee of \$120,000 per annum.

(d) In September 2020 Brian O'Sullivan moved from Executive Director of Corporate Development to Non-Executive Director and Development Advisor to the Company. Upon termination of his employment agreement as an Executive Director, Brian O'Sullivan was paid out \$180,411 in accrued leave entitlements (included under Salary & Fees).

2 The amounts disclosed in this column represent the increase in the associated leave provisions.

3 A termination benefit of \$365,384 pursuant to the Executive Service Agreement for Linton Burns as Transition Director was accrued in FY2020, but was not paid following his appointment as CEO & Managing Director in September 2020.

4 (a) Brian O'Sullivan received a success fee of \$100,000 in relation to his role as Development Advisor.

4(b) Linton Burns received a discretionary payment of \$75,000 inclusive of superannuation in relation to FY2020, which was paid in FY21.

4(c) Michael Casey received a discretionary payment of \$25,000 in relation to FY2022, to be paid in FY2023.

5. Share based payment expense accrual for performance rights based on the service condition totalled \$44,981 for Linton Burns, \$22,176 for Michael Casey and \$11,088 for Matt Cooper.

## 7.5 NOTICE PERIOD AND OTHER NON-MONETARY BENEFITS UNDER THE COMPANY'S SERVICE CONTRACTS WITH EXECUTIVES

NAME	POSITION	NOTICE PERIOD	NON- MONETARY BENEFITS
Linton Burns	Managing Director & Chief Executive Officer	12 months	Car park, mobile phone
Michael Casey	Chief Financial Officer	3 months	Car park, mobile phone
Matthew Cooper	Chief Operating Officer	6 months	Car park, mobile phone
Melissa Morrison	Chief Operating Officer (appointed 27 April 2022)	3 months	Car park, mobile phone

## 7.6 NON-EXECUTIVE DIRECTOR ARRANGEMENTS

### REMUNERATION POLICY

The Board seeks to set aggregate remuneration of non-executive directors at a level that provides the Group with the ability to attract and retain directors of appropriate calibre, whilst incurring a cost that is acceptable to shareholders.

The amount of aggregate remuneration sought to be approved by shareholders and the fee structure is reviewed annually against fees paid to non-executive directors ("NEDs") of comparable companies.

The Company's constitution and the ASX listing rules specify that the NED fee pool shall be determined from time to time by a general meeting of shareholders. The NED fee pool of \$600,000 was approved by shareholders at the Annual General Meeting in 2013. The Board of Directors may determine how to allocate the NED fee pool.

The remuneration of NEDs consists of directors' fees, with such fees being inclusive of superannuation and any membership or chairpersonship of any committee. NEDs do not receive retirement benefits. A breakdown of fees is as follows:

NAME	DIRECTOR FEE	DEVELOPMENT ADVISOR FEE	SUCCESS FEE (*)
Phillip Campbell	\$120,000	-	N/A
Brian O'Sullivan	\$75,000	\$120,000	-
Matthew Morgan	\$75,000	-	N/A
Sarah Zeljko	\$75,000	-	N/A

\* Under Brian O'Sullivan's contract, he is entitled to success fees in relation to designated major projects and merger and acquisition transactions introduced to Verbrec in his role as Development Advisor. No fees were paid or accrued for FY2022 (FY2021: \$100,000 in relation to the acquisition of EIM).

NEDs do not participate in the Company's STI or LTI plans.



## 7.7 MOVEMENTS IN SHARES

The movement during the reporting year in the number of ordinary shares in the Company held directly, indirectly or beneficially, by KMPs of the consolidated entity, is as follows:

NAME	BALANCE AT 1 JULY 2021 ("SOFY")	RECEIVED ON EXERCISE OF OPTIONS	OTHER CHANGES	BALANCE AT 30 JUNE 2022 ("EOFY")
Brian O'Sullivan <sup>1</sup>	77,103,087	-	(7,692,308)	69,410,779
Linton Burns	4,939,571	1,062,273	-	6,001,844
Phillip Campbell <sup>1</sup>	520,000	-	60,000	580,000
Matthew Morgan <sup>1</sup>	378,205	-	71,428	449,633

<sup>1</sup> Shares purchased/(sold) on and off market during the year.

Other than disclosed above, the number of ordinary shares in the Company held directly, indirectly or beneficially, by other KMPs is Nil at 30 June 2022, there is no movement during FY2022.

## 7.8 OPTIONS AND PERFORMANCE RIGHTS

In the reporting period there were no options issued by the Company. During FY2022, the following options were exercised and the equivalent number of ordinary shares were issued:

OPTION HOLDER	No. of OSD options	Strike price for conversion into OSD shares	OSD option expiry date	Converts into number of VBC options	Strike price for conversion to VBC shares	Value per option at grant date	VBC option expiry date	Exercise proceeds	Date exercised	Options outstand- ing at 30 June 2022
Linton Wayne Paul Burns and Suzanne Mary Byrne as trustees for Burns Family Trust	100,000	\$1.33	21-Jul-21	1,062,273	\$0.1252	\$0.0495	21-Jul-21	\$133,000	30 Aug 2021 <sup>1</sup>	-

<sup>1</sup> Due to the expiry date being during the prohibited trading period as per the Verbrec Securities Trading Policy, the Directors extended the exercise date to 30 August 2021.

1,968,750 performance rights were issued to Linton Burns (FY2021 - 1,968,750), 800,000 performance rights were issued to Michael Casey (FY2021 - 800,000) and 400,000 performance rights were issued to Matthew Cooper (FY2021 - Nil) during the reporting period. Details of the performance right plan can be found in 7.3.2.

Other than disclosed above, the number of performance rights issued to other KMPs is Nil at 30 June 2022, there is no movement during FY2022.

## 7.9 OTHER STATUTORY INFORMATION

### VOTING OF SHAREHOLDERS AT LAST YEAR'S ANNUAL GENERAL MEETING

At its AGM on 27 November 2021, Verbrec Limited received approximately 99% of the votes cast in favour of the resolution adopting the remuneration report for the 2021 financial year. The Company did not receive any specific feedback at the AGM or through the reporting period on its remuneration practices.

*This concludes the remuneration report, which has been audited.*

## 8. NON-AUDIT SERVICES

During the year Grant Thornton, the Group's auditor, provided non-audit services. The non-audit services provided by Grant Thornton consisted of tax compliance services and other assurance services in the amount of \$116,582.

The Directors are satisfied that the provision of non-audit services by Grant Thornton during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 (Cth), based on advice from the Group's Audit & Risk Committee, for the following reasons:

- The non-audit services did 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 APES 110 Code of Ethics for Professional Accountants.

Details of the amounts paid to the auditor of the Group, Grant Thornton, and its related practices for audit and non-audit services provided during the year are set out in note 4(j) of the Financial Report below. No amounts were paid to other auditors in respect of the statutory audit.

## 9. PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 (Cth) for leave to bring proceedings on behalf of the Company, or to 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 part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001 (Cth).

## 10. AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 (Cth) is set out on page 36.

## 11. ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016. Amounts in the Directors' report have been rounded off in accordance with that Legislative Instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

## 12. RESOLUTION APPROVING DIRECTORS' REPORT

This Directors' Report is made in accordance with a resolution of Directors.



**Phillip Campbell**

**Chairperson**

Brisbane

30 August 2022



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**Grant Thornton Audit Pty Ltd**  
King George Central  
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145 Ann Street  
Brisbane QLD 4000  
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Brisbane QLD 4001  
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## Auditor's Independence Declaration

### To the Directors of Verbrec Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Verbrec Limited for the year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



CDJ Smith  
Partner – Audit & Assurance

Brisbane, 30 August 2022

**[www.grantthornton.com.au](http://www.grantthornton.com.au)**  
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**Verbrec Limited**

**ABN 90 127 897 689**

**Current Reporting Period**

**Financial Year ended 30 June 2022**

Previous Corresponding Period

Financial Year ended 30 June 2021

# Inside this report

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**VERBREC LIMITED**
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2022**

	Notes	2022 \$'000	2021 \$'000 (Restated*)
Revenue	4(a)	<b>121,392</b>	97,413
Cost of providing services	4(f)	<b>(86,000)</b>	(70,572)
<b>Gross profit</b>		<b>35,392</b>	26,841
Other income	4(b)	<b>636</b>	1,563
Gain on sale of equity accounted investee		-	32
Acquisition costs	4(c)	-	(489)
Impairment charge on Goodwill	8(c)	<b>(866)</b>	-
Other operating expenses	4(e)	<b>(37,902)</b>	(31,733)
<b>Loss from operating activities</b>		<b>(2,740)</b>	(3,786)
Finance (expense)/income	4(d)	<b>(693)</b>	(388)
Share of net profit of equity accounted investees		-	20
<b>Loss before income tax</b>		<b>(3,433)</b>	(4,154)
Income tax benefit/(expense)	4(g)	<b>296</b>	(338)
<b>Loss for the year attributable to owners of the Company</b>		<b>(3,137)</b>	(4,492)
<b>Other comprehensive income</b>			
Items that may be reclassified to profit or loss			
Foreign currency translation differences		<b>(88)</b>	(10)
<b>Other comprehensive income for year, net of tax</b>		<b>(88)</b>	(10)
<b>Total comprehensive loss for the year attributable to owners of the Company</b>		<b>(3,225)</b>	(4,502)
<b>Earnings per share</b>			
Basic earnings per share (cents per share)	4(h)	<b>(1.4)</b>	(2.2)
Diluted earnings per share (cents per share)	4(h)	<b>(1.4)</b>	(2.2)

\* See note 3(f) for details regarding the restatement of as a result of an error.

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

**VERBREC LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2022**

	Notes	2022 \$'000	2021 \$'000 (Restated *)
<b>Assets</b>			
Cash and cash equivalents	5(a)	6,415	8,337
Trade and other receivables	5(b)	18,579	16,974
Contract assets	5(b)	6,879	4,870
Current tax assets	4(g)	140	39
<b>Total current assets</b>		<b>32,013</b>	30,220
Property, plant and equipment	6(a)	1,532	1,540
Right-of-Use Assets	6(b)	6,425	4,943
Deferred tax assets	4(g)	7,485	6,811
Intangible assets	6(c)	14,612	16,030
<b>Total non-current assets</b>		<b>30,054</b>	29,324
<b>Total assets</b>		<b>62,067</b>	59,544
<b>Liabilities</b>			
Trade and other payables	5(c)	14,425	13,149
Contract liabilities	5(d)	7,074	2,377
Borrowings	5(g)	680	1,451
Lease liabilities	6(b)	2,482	2,640
Other financial liabilities	12	605	139
Current tax liability	4(g)	269	-
Employee benefits	5(e)	5,688	5,949
Provisions	5(f)	588	783
<b>Total current liabilities</b>		<b>31,811</b>	26,488
Employee benefits	5(e)	694	1,101
Borrowings	5(g)	57	694
Lease liabilities	6(b)	5,267	2,959
Other financial liabilities	12	1,161	2,120
Provisions	5(f)	552	676
<b>Total non-current liabilities</b>		<b>7,731</b>	7,550
<b>Total liabilities</b>		<b>39,542</b>	34,038
<b>Net assets</b>		<b>22,525</b>	25,506
<b>Equity</b>			
Share capital	7(a)	24,267	24,134
Reserves	7(b)	226	203
Retained earnings		(1,968)	1,169
<b>Total equity attributable to owners of the Company</b>		<b>22,525</b>	25,506

\* See note 3(f) for details regarding the restatement as a result of an error.

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





**VERBREC LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2022**

		Attributable to owners of Verbrec			
		Share Capital	Reserves	Retained earnings	Total
	Notes	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2020		21,013	107	5,577	26,697
Loss for the year		-	-	(3,863)	(3,863)
Adjustment for correction of error*	3(f)	-	-	(629)	(629)
Other comprehensive income		-	(10)	-	(10)
Total comprehensive income for the year		-	(10)	(4,492)	(4,502)
Contributions of equity, net of transaction costs and net of tax		2,875	-	-	2,875
Buy back of ordinary shares		(148)	-	-	(148)
Exercise of Options		394	-	-	394
Share based payment expense		-	190	-	190
Transfer of employee share option cancelled		-	(84)	84	-
Balance at 30 June 2021		24,134	203	1,169	25,506
<b>Balance at 1 July 2021</b>		<b>24,134</b>	<b>203</b>	<b>1,169</b>	<b>25,506</b>
<b>Loss for the year</b>		<b>-</b>	<b>-</b>	<b>(3,137)</b>	<b>(3,137)</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>(88)</b>	<b>-</b>	<b>(88)</b>
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>(88)</b>	<b>(3,137)</b>	<b>(3,225)</b>
<b>Exercise of Options</b>	7(a)	<b>133</b>	<b>-</b>	<b>-</b>	<b>133</b>
<b>Share based payment expense</b>	7(b)	<b>-</b>	<b>111</b>	<b>-</b>	<b>111</b>
<b>Balance at 30 June 2022</b>		<b>24,267</b>	<b>226</b>	<b>(1,968)</b>	<b>22,525</b>

\* See note 3(f) for details regarding the restatement as a result of an error.

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

**VERBREC LIMITED**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2022**

	Notes	2022 \$'000	2021 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (including GST)		<b>134,830</b>	106,080
Payments to suppliers and employees (including GST)		<b>(131,177)</b>	(106,444)
		<b>3,653</b>	(364)
Interest received		<b>5</b>	60
Interest paid		<b>(531)</b>	(389)
Transaction costs relating to acquisition		<b>-</b>	(489)
Income taxes paid		<b>(68)</b>	(462)
<b>Net cash inflow / (outflow) from operating activities</b>	5(a)	<b>3,059</b>	(1,644)
<b>Cash flow from investing activities</b>			
Dividends from Associates		<b>-</b>	15
Proceeds from sale of equity accounted investee		<b>-</b>	105
Proceeds from sale of property, plant and equipment		<b>71</b>	12
Payment for acquisition of subsidiary, net of cash acquired		<b>-</b>	(4,923)
Acquisition of property, plant and equipment and intangibles		<b>(957)</b>	(247)
<b>Net cash outflow from investing activities</b>		<b>(886)</b>	(5,038)
<b>Cash flow from financing activities</b>			
Share issue cost	7(a)	<b>-</b>	(178)
Payments for shares bought back	7(a)	<b>-</b>	(148)
Proceeds from issue of shares	7(a)	<b>133</b>	3,394
Proceeds from borrowings	5(g)	<b>2,061</b>	1,796
Repayment of borrowings	5(g)	<b>(3,469)</b>	(3,199)
Principal elements of lease payments		<b>(2,733)</b>	(2,566)
<b>Net cash outflow from financing activities</b>		<b>(4,008)</b>	(901)
Net increase in cash and cash equivalents		<b>(1,835)</b>	(7,583)
Cash and cash equivalents at the beginning of the year		<b>8,337</b>	15,930
Effects of exchange rate changes on cash and cash equivalents		<b>(87)</b>	(10)
Cash and cash equivalents at the end of the year	5(a)	<b>6,415</b>	8,337

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

# **VERBREC LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **30 JUNE 2022**

## **1 GENERAL INFORMATION**

Verbrec Limited (the "Company") or ("Verbrec") is a company domiciled in Australia. The address of the Company's registered office is Level 14, 200 Mary Street, Brisbane, Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2022 comprise the Company and its subsidiaries (together referred to as "the Group" and individually as "Group entities") and the Group's interest in associates and jointly controlled entities.

The Group is primarily involved with the resources, energy and infrastructure sectors providing Engineering and Training services, primarily in Australia, New Zealand, Papua New Guinea and the Pacific Islands. For a detailed discussion about the Group's performance and financial position please refer to our operating and financial review on pages 19 and 20.

The financial statements were approved by the Board of Directors on 30 August 2022.

## **2 BASIS OF PREPARATION**

### **(a) STATEMENT OF COMPLIANCE**

The financial report is a general-purpose financial report, which:

- has been prepared in accordance with the requirements of the Corporations Act 2001 (Cth), Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board as applicable to a for-profit entity.
- adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or before 1 July 2021.

### **(b) BASIS OF MEASUREMENT AND PRESENTATION CURRENCY**

The Consolidated financial statements have been prepared on the historical cost basis, except for the following:

- certain financial assets and liabilities (including derivative instruments), certain classes of property, plant and equipment, and investment property – measured at fair value or revalued amount;
- assets held for sale – measured at the lower of carrying amount and fair value less costs to sell.

The Consolidated financial statements are presented in Australian dollars, which is the Company's functional currency.

The Company is of a kind referred to in legislative instrument 2016/191 and in accordance with that legislative instrument, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

### **(c) USE OF ESTIMATES AND JUDGEMENTS**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on amounts recognised in the financial statements are included in the following notes:

Note 8(b) – Financial risk management – financial position and basis of preparation

Notes 4(a) and 5(b) – revenue recognition, trade receivables and contract assets

Note 4(g) – recoverability of deferred tax assets

Note 6(b) – assessment of lease term for right of use assets

Note 6(c) and 8(c) – measurement of the recoverable amounts of cash-generating units containing goodwill

#### **(d) GOING CONCERN**

The financial statements have been prepared on a going concern basis. Refer note 8(b) for further commentary.

### **3 SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by the Group.

#### **(a) GOODS AND SERVICES TAX (GST)**

Revenue, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

#### **(b) FOREIGN CURRENCY**

##### ***Foreign currency transactions***

Transactions included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency using the year end exchange rates. Foreign currency gains or losses on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognised in the consolidated statement of profit or loss.

##### ***Foreign operations***

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the presentation currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at exchange rates at the dates of the transactions. Foreign currency differences are recognised in other comprehensive income and presented in the foreign currency translation reserve in equity.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such items are considered to form part of the net investment in the foreign operation and are recognised in other comprehensive income and presented in the translation reserve in equity.

#### **(c) NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP**

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2021:



- AASB 2020-4 Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions [AASB 16], and
- AASB 2020-8 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2 [AASB 4, AASB 7, AASB 9, AASB 16 & AASB 139].

The Group also elected to adopt the following amendments early:

- AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments [AASB 1, AASB 3, AASB 9, AASB 116, AASB 137 and AASB 141], and
- AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction [AASB 112].

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

#### (d) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 30 June 2022 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

#### (e) OTHER ACCOUNTING POLICIES

Significant and other accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to these financial statements.

#### (f) RESTATEMENT OF COMPARATIVES

##### Correction of error

An error was discovered (as a direct result of the implementation of our new ERP System) whereby a double up occurred in the recording of approved variations added to the original contract value (commenced in February 2021) specific to one client. This resulted in the contracts assets being overstated, deferred tax assets being understated and retained earnings being overstated at 30 June 2021. Extracts (being only those line items affected) are disclosed below.

	Reported \$'000	2021 Adjustment \$'000	Restated \$'000
<b>Statement of profit or loss/Statement of comprehensive income</b>			
Revenue	98,312	(899)	97,413
Income tax benefit/(expense)	(608)	270	(338)
Loss for the year	(3,863)	(629)	(4,492)
Basic EPS	(1.9)	(0.3)	(2.2)
Diluted EPS	(1.9)	(0.3)	(2.2)

	Reported \$'000	30 June 2021 Adjustment \$'000	Restated \$'000
<b>Balance sheet</b>			
Contract assets	5,769	(899)	4,870
Deferred tax assets	6,541	270	6,811
Retained earnings	1,798	(629)	1,169

## 4 OPERATIONS - RESULTS FOR THE YEAR

### (a) REVENUE

#### *Disaggregation of revenue from contracts with customers*

The Group derives revenue from the transfer of goods and services over time in the following major service lines and geographical regions:

2022	Australia \$'000	New Zealand \$'000	Total \$'000
<b>Engineering services</b>			
- Services revenue	95,442	11,894	107,336
<b>Training services</b>	13,915	141	14,056
<b>Total revenue from external parties</b>	<b>109,357</b>	<b>12,035</b>	<b>121,392</b>
<b>Timing of revenue recognition</b>			
At a point in time	585	-	585
Over time	108,772	12,035	120,807
	<b>109,357</b>	<b>12,035</b>	<b>121,392</b>

2021	Australia \$'000 (Restated)	New Zealand \$'000	Total \$'000 (Restated)
<b>Engineering services</b>			
- Services revenue	79,115	10,234	89,349
<b>Training services</b>	7,974	90	8,064
<b>Total revenue from external parties</b>	<b>87,089</b>	<b>10,324</b>	<b>97,413</b>
<b>Timing of revenue recognition</b>			
Over time	87,089	10,324	97,413

**Revenue from contracts with customers**

Where performance obligations are satisfied over time, revenue is recognised in the consolidated statement of profit and loss by reference to the progress towards complete satisfaction of each performance obligation. This does not include any significant financing component.

- Revenue Recognition – Service Based Contracts**

Revenue from the provision of consulting services is typically recognised over time (typically 3 to 6 months in duration) when the Group has an enforceable right to payment for its performance completed to date. The Group's performance does not create an asset with an alternative use to the Group.

- Revenue Recognition – Provision of contract Engineering, Procurement and Construction services (EPC).**

Contracts with customers to provide contract engineering, procurement and/or construction services can include either one performance obligation or multiple independent performance obligations within each contract. The Group assesses each of its contracts individually and where there are separate performance obligations identified, the transaction price is allocated based upon the relative stand-alone selling prices of the services provided.

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably.

Where the outcome of a contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in the consolidated statement of profit or loss and other comprehensive income.

Revenue is recognised over time, typically based on an input method using an estimate of costs incurred to date as a percentage of total estimated costs at contract completion.

- Revenue Recognition – Training Services**

Revenue from training services is recognised over time (typically 1 to 5 days in duration) when the training services are delivered and the Group has an enforceable right to payment for training once it has been attended by the participant.

**(b) OTHER INCOME**

	<b>2022 \$'000</b>	<b>2021 \$'000</b>
Net foreign exchange gains	<b>60</b>	30
AU JobKeeper Payment *	-	1,498
Gain on Fair Value of Financial Liabilities	<b>520</b>	-
Sundry income	<b>56</b>	35
	<b>636</b>	1,563

\* Government grants relating to JobKeeper payment and wages subsidy allowances are recognised in the consolidated statement of profit and loss over the period necessary to match them with the costs that they are intended to compensate. No Group entities received JobKeeper payment and wages subsidy allowances in FY2022.

**(c) ACQUISITION COSTS**

	<b>2022</b> <b>\$'000</b>	<b>2021</b> <b>\$'000</b>
Legal expenses	-	129
External consultancy expenses	-	46
Success Fee	-	100
Stamp Duty	-	214
	<b>-</b>	<b>489</b>

**(d) FINANCE (EXPENSES) / INCOME - NET**

	<b>2022</b> <b>\$'000</b>	<b>2021</b> <b>\$'000</b>
Interest income	<b>5</b>	60
Interest and finance charges paid/payable	<b>(164)</b>	(182)
Interest paid on lease liability	<b>(366)</b>	(215)
Discounting on contingent consideration	<b>(168)</b>	(51)
	<b>(693)</b>	<b>(388)</b>

**(e) OTHER OPERATING EXPENSES**

The consolidated statement of profit or loss and other comprehensive income includes the following specific expenses:

	<b>2022</b> <b>\$'000</b>	<b>2021</b> <b>\$'000</b>
Salaries and wages	<b>20,666</b>	17,857
Other employment related expenses	<b>846</b>	598
General outgoings	<b>2,168</b>	1,260
Subscriptions, licenses and memberships	<b>2,278</b>	2,420
Consulting	<b>2,384</b>	2,105
Depreciation and amortisation *	<b>4,866</b>	4,083
Insurance	<b>1,734</b>	1,436
Other administrative expenses	<b>2,960</b>	1,974
	<b>37,902</b>	<b>31,733</b>

\*Included in above is depreciation on Property, Plant and Equipment \$0.8 million, Right-Of-Use Asset \$3.3 million, and Intangible Assets \$0.8 million.

**(f) COST OF PROVIDING SERVICES**

	<b>2022</b> <b>\$'000</b>	<b>2021</b> <b>\$'000</b>
Personnel expenses	<b>51,437</b>	46,573
Contractor expenses	<b>12,618</b>	8,599
Project reimbursable expenses (including procurement)	<b>21,945</b>	15,400
	<b>86,000</b>	<b>70,572</b>



**Personnel expenses and Contributions to defined contribution superannuation funds**

The Group's accounting policy for liabilities associated with employee benefits is set out in note 5(e). All employees in Australia are party to a superannuation guarantee and receive fixed contributions from the Group. A similar arrangement (Kiwisaver) is in place for employees in New Zealand but is voluntary and a small number of employees choose not to participate. The Group's legal or constructive obligation is limited to these contributions in Australia and New Zealand.

**(g) TAXATION**

Income tax expense comprises current and deferred tax. Current and deferred tax is recognised in consolidated statement of profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity or in other comprehensive income.

**Income tax expense**

	<b>2022 \$'000</b>	2021 \$'000 (Restated)
<b>Current tax expense</b>		
Current year	<b>(269)</b>	-
<b>Deferred tax benefit/(expense)</b>		
Increase in deferred tax assets	<b>1,397</b>	1,956
Increase in deferred tax liabilities	<b>(723)</b>	(2,159)
Adjustments for current tax of prior periods	<b>(109)</b>	(135)
<b>Total income tax benefit/(expense)</b>	<b>296</b>	(338)
<i>Numerical reconciliation between tax expense and pre-tax accounting profit</i>		
<b>Loss before income tax</b>	<b>(3,433)</b>	(4,154)
Income tax using the Company's domestic tax rate of 30% (2021 - 30%)	<b>1,030</b>	1,247
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Deferred tax expense on contingent consideration	<b>156</b>	41
Current year deferred tax movements not recognised	<b>(487)</b>	(1,619)
Non-deductible expenses	<b>(427)</b>	(41)
Sundry items	<b>24</b>	35
<b>Total income tax benefit/(expense)</b>	<b>296</b>	(338)

The difference between the actual income tax expense and the income tax expense using the Company's domestic rate of 30% is mainly attributable to current tax losses not recognised and the impairment on goodwill which is non-deductible.

**Current tax assets and liabilities**

Current tax is the expected tax payable or receivable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years.

	2022 \$'000	2021 \$'000
<b>Current tax asset</b>		
Current tax asset	140	39
<b>Current tax liability</b>		
Current tax liability	269	-

The current tax asset relates to non-resident contractor withholding tax.

**Tax assets and liabilities - recognised deferred tax assets and liabilities**

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is based upon the expected manner of realisation or settlement of the carrying amount of assets and liabilities using the applicable tax rates. Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets; and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

**Deferred tax assets**

	2022 \$'000	2021 \$'000 (Restated)
<b>The balance comprises differences attributable to:</b>		
Lease liabilities	2,322	1,679
Tax losses	4,709	4,709
Employee benefits	2,434	2,694
Contract liabilities	2,071	712
Other deferred tax assets	1,008	1,353
	12,544	11,147
Set-off of deferred tax liabilities pursuant to set-off provisions	(5,059)	(4,336)
Net deferred tax assets	7,485	6,811

	Lease liabilities	Tax losses	Employee benefits	Contract liabilities	Other deferred tax assets	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Movements</b>						
At 1 July 2020	1,537	4,709	2,133	1,013	(254)	9,138
Acquisition of business	889	-	92	-	382	1,363
(Charged)/credited						
- to profit or loss	(747)	-	469	(301)	1,172	593
(Charged)/credited						
- to reserves	-	-	-	-	53	53
At 30 June 2021	1,679	4,709	2,694	712	1,353	11,147
At 1 July 2021	<b>1,679</b>	<b>4,709</b>	<b>2,694</b>	<b>712</b>	<b>1,353</b>	<b>11,147</b>
(Charged)/credited						
- to profit or loss	<b>643</b>	<b>-</b>	<b>(260)</b>	<b>1,359</b>	<b>(345)</b>	<b>1,397</b>
At 30 June 2022	<b>2,322</b>	<b>4,709</b>	<b>2,434</b>	<b>2,071</b>	<b>1,008</b>	<b>12,544</b>

**Deferred tax liabilities**

	2022 \$'000	2021 \$'000 (Restated)
<b>The balance comprises temporary differences attributable to:</b>		
Right-Of-Use Asset	<b>(1,925)</b>	(1,481)
Work in progress	<b>(1,895)</b>	(1,452)
Customer relationships	<b>(879)</b>	(1,325)
Other deferred tax liabilities	<b>(360)</b>	(78)
	<b>(5,059)</b>	(4,336)
Set-off of deferred tax liabilities pursuant to set-off provisions	<b>5,059</b>	4,336
Net deferred tax liabilities	-	-

	Right-Of-Use Asset	Customer relation- ships	Work in progress (Restated)	Other deferred tax liabilities	Total (Restated)
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Movements</b>					
At 1 July 2020	(1,412)	(1,079)	(533)	847	(2,177)
Acquisition of business	(837)	(489)	-	63	(1,263)
(Charged)/credited to profit or loss	768	243	(919)	(988)	(896)
At 30 June 2021	(1,481)	(1,325)	(1,452)	(78)	(4,336)
At 1 July 2021	<b>(1,481)</b>	<b>(1,325)</b>	<b>(1,452)</b>	<b>(78)</b>	<b>(4,336)</b>
(Charged)/credited to profit or loss	<b>(444)</b>	<b>446</b>	<b>(443)</b>	<b>(282)</b>	<b>(723)</b>
At 30 June 2022	<b>(1,925)</b>	<b>(879)</b>	<b>(1,895)</b>	<b>(360)</b>	<b>(5,059)</b>

**Deferred tax is not recognised for the following temporary differences:**

- Initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit;
- Differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- Initial recognition of goodwill.

At 30 June 2022, there was a tax benefit of \$8.9 million (2021: \$8.5 million) relating to unused tax losses of \$29.9 million (2021: \$28.3 million), which includes a DTA on tax losses of \$4.7 million (2021: \$4.7 million).

**Tax consolidation**

The Company and its wholly owned Australian resident entities are part of a Tax Consolidated Group. Consequently, all members of the Tax Consolidated Group are taxed as a single entity. The head entity within the Tax Consolidated Group is Verbrec Limited.

**(h) EARNINGS PER SHARE*****Reconciliation of earnings used in calculating earnings per share***

	<b>2022 \$'000</b>	<b>2021 \$'000 (Restated)</b>
<b>Loss for the year</b>	<b>(3,137)</b>	<b>(4,492)</b>
WANOS <sup>1</sup> used to calculate basic EPS (Shares)	<b>221,412</b>	202,863
WANOS <sup>1</sup> used to calculate diluted EPS (Shares)	<b>225,797</b>	207,664
Basic EPS (cents per share)	<b>(1.4)</b>	(2.2)
Diluted EPS (cents per share)	<b>(1.4)</b>	(2.2)

<sup>1</sup>Weighted average number of ordinary shares

	<b>2022 \$'000</b>	<b>2021 \$'000 (Restated)</b>
<b>Number of shares</b>		
WANOS used to calculate basic EPS (Shares)	<b>221,412</b>	202,863
Effect of performance rights and options on issue	<b>4,385</b>	4,801
WANOS used to calculate diluted EPS (Shares)	<b>225,797</b>	207,664

**CALCULATION OF EARNINGS PER SHARE*****Basic 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 WANOS, adjusted for any bonus elements.

***Diluted earnings per share***

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

- Cost 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 revenue or expenses during the year that would result from the dilution of potential ordinary shares divided by the WANOS and dilutive potential ordinary shares, adjusted for any bonus element.



**(i) SEGMENT REPORTING**

The Group has two reportable segments in which it operates, being Engineering services and Training. This is based on information that is internally provided to the executive group for assessing performance and making operating decisions.

The Group is domiciled in Australia, with operations across Australia, New Zealand, Papua New Guinea and the Pacific Islands. Revenue and non-current assets are attributed to the reportable segments based on the revenue and non-current assets owned by the subsidiaries domiciled in each region and are as follows:

**Revenue**

	<b>2022</b> <b>\$'000</b>	2021 \$'000 (Restated)
Engineering services	<b>107,336</b>	89,349
Training services	<b>14,056</b>	8,064
	<b>121,392</b>	97,413

**Reconciliation of EBITDA to operating profit before income tax is as follows:**

<b>EBITDA</b>	<b>2022</b> <b>\$'000</b>	2021 \$'000 (Restated)
Engineering services	<b>4,657</b>	(22)
Training services	<b>(2,531)</b>	339
	<b>2,126</b>	317
<b>EBITDA</b>	<b>2,126</b>	317
Finance cost	<b>(693)</b>	(388)
Depreciation and amortisation	<b>(4,866)</b>	(4,083)
Loss before income tax from continuing operations	<b>(3,433)</b>	(4,154)

Details of the Group's most significant customer revenues at 30 June 2022 are shown in the following table. The most significant single customer at 30 June 2022 is a large, publicly listed resources company.

	<b>2022</b>		2021	
	<b>\$'000</b>	<b>% of revenue</b>	\$'000	% of revenue
Most significant single customer	<b>10,321</b>	<b>9%</b>	10,020	10%
Top 10 most significant customers	<b>46,299</b>	<b>38%</b>	50,424	52%

	<b>2022</b> <b>\$'000</b>	2021 \$'000
<b>Non-current assets excluding deferred tax assets</b>		
Australia	<b>22,047</b>	21,983
New Zealand	<b>522</b>	530
	<b>22,569</b>	22,513



**(j) AUDITOR'S REMUNERATION**

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	<b>2022</b>	2021 *
	<b>\$</b>	<b>\$</b>
<b>Audit services</b>		
Audit and review of the Company's Financial Report	<b>195,000</b>	318,032
<b>Non-audit services</b>		
Tax compliance services	<b>102,332</b>	167,216
Other assurance services	<b>14,250</b>	-
	<b>116,582</b>	167,216
<b>Total remuneration of Grant Thornton</b>	<b>311,582</b>	485,248

\* The FY2021 comparative relates to PwC.

**5 OPERATIONS - OPERATING ASSETS AND LIABILITIES****(a) CASH AND CASH EQUIVALENTS**

Cash and cash equivalents in the consolidated statement of financial position comprise cash at bank and on hand and short term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts. Cash balances reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year.

	<b>2022</b>	2021
	<b>\$'000</b>	<b>\$'000</b>
<b>Cash and cash equivalents at 30 June:</b>		
Cash at bank	<b>6,415</b>	8,337

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities is disclosed in note 8(b).

**Reconciliation of cash flows from operating activities**

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

	2022 \$'000	2021 \$'000 (Restated)
<b>Cash flows from operating activities</b>		
Loss for the year	<b>(3,137)</b>	(4,492)
Adjustments for:		
Depreciation & amortisation	<b>4,947</b>	4,083
Impairment charge on Goodwill	<b>866</b>	-
Share of profits of associate	-	(20)
Loss on FA disposal	<b>87</b>	(5)
Adjustment for correction of error	-	(33)
Gain on Fair Value of Financial Liabilities	<b>(520)</b>	-
Share based payments	<b>111</b>	190
Interest expense on contingent consideration	<b>168</b>	51
<b>Adjusted operating profit/(loss) before changes in working capital and provisions</b>	<b>2,522</b>	(226)
Change in trade and other receivables	<b>(1,846)</b>	1,809
Change in contract assets	<b>(2,010)</b>	(3,089)
Change in trade and other payables	<b>1,246</b>	2,038
Change in deferred tax asset	<b>(665)</b>	243
Change in income taxes payable	<b>269</b>	(550)
Change in contract liabilities	<b>4,697</b>	(1,210)
Change in provisions and employee benefits	<b>(1,154)</b>	(659)
<b>Net cash from operating activities</b>	<b>3,059</b>	(1,644)

**(b) TRADE AND OTHER RECEIVABLES**

	2022 \$'000	2021 \$'000 (Restated)
<b>Current</b>		
Trade receivables	<b>17,486</b>	15,776
Loss allowances / Provision for impairment of receivables <sup>1</sup>	<b>(130)</b>	(130)
Prepayments and sundry debtors	<b>1,223</b>	1,328
	<b>18,579</b>	16,974
<b>Contract assets<sup>2</sup></b>	<b>6,879</b>	4,870



<sup>1</sup> The Group has applied the expected credit loss model to trade receivables and contract assets. An amount of \$0.1 million (FY2021: \$0.1 million) has been recognised as a provision for impairment for trade receivables. No amount has been recognised in the current year for contract assets (FY2021: Nil)

<sup>2</sup> Movements in contract assets during the financial year relate primarily to revenue recognised on engineering contracts with customers in excess of billings raised.

The Group applies the simplified approach to providing for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on their shared characteristics and the days past due.

Contract assets represent balances earned, but which are not yet unconditional and have substantially the same characteristics as trade receivables. The Group has therefore concluded that the expected loss rates for trade receivable are a reasonable approximation for the contract asset balances.

The expected credit loss rates are based on the historical payment profile of receivables prior to 30 June 2022 and the corresponding historical credit losses experienced during this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. Other attributes considered include observing a deterioration of customer credit ratings together with any delays experienced in customer collections. The expected credit losses have been assessed but are not considered material.

Individual debts which are known to be non-collectible are written off as identified.

### (c) TRADE AND OTHER PAYABLES

	2022 \$'000	2021 \$'000
<b>Current</b>		
Trade payables	8,129	5,602
GST payable	988	1,010
Accrued expenses	4,625	5,059
Sundry creditors	683	1,478
	<b>14,425</b>	<b>13,149</b>

Trade and other payables are recognised initially at fair value less transaction costs and subsequently at amortised cost using the effective interest method.

The Group's exposure to currency and liquidity risk related to Trade and other payables is disclosed in note 8(b).

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Tax Office ("ATO") is included as a current asset or liability in the statement of financial position.

### (d) CONTRACT LIABILITIES

	2022 \$'000	2021 \$'000
<b>Contract liabilities</b>	<b>7,074</b>	<b>2,377</b>

The contract liabilities primarily relate to consideration received from customers in advance of providing goods or services, or unearned revenue. These liabilities will be recognised as revenue when the services are performed. Movements in contract liabilities during the financial year relates primarily to the procurement and subsequent invoicing of long lead items on several engineering contracts.

**(e) EMPLOYEE BENEFITS**

	2022			2021		
	Current	Non-current	Total	Current	Non-current	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Leave obligations	<b>5,688</b>	<b>694</b>	<b>6,382</b>	5,949	1,101	7,050

*Annual leave, long service leave and time off in lieu*

The liability for annual leave, long service leave and time off in lieu is measured as the present value of expected future payments (including on-costs) for the service provided by employees up to the reporting date. Expected future payments are discounted using the yield on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations.

**(f) PROVISIONS**

	2022			2021		
	Current	Non-current	Total	Current	Non-current	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Bonus provision	<b>215</b>	-	<b>215</b>	256	-	256
Make good provision	<b>251</b>	<b>552</b>	<b>803</b>	-	676	676
Service warranties	<b>113</b>	-	<b>113</b>	233	-	233
Restructuring/ Redundancy costs	<b>9</b>	-	<b>9</b>	294	-	294
<b>Total</b>	<b>588</b>	<b>552</b>	<b>1,140</b>	783	676	1,459

The movement in provisions for the period is shown below:

	Bonus provision	Make good provision	Service warranties	Restructuring/ Redundancy costs	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July 2021	256	676	233	294	1,459
Credited to profit or loss					
- additional provisions recognised	215	264	67	9	555
- unused amounts reversed	(84)	(118)	(187)	-	(389)
Amounts used during the year	(172)	(19)	-	(294)	(485)
<b>Carrying amount at 30 June 2022</b>	<b>215</b>	<b>803</b>	<b>113</b>	<b>9</b>	<b>1,140</b>



A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

#### *Warranty*

A provision for warranty is recognised at the commencement of a project based on risks identified during the planning stage. The warranty provision accumulates over the life of the project up to practical completion/commencement of defects liability period at which point it is fully recognised. During the defects liability period projects are periodically reviewed to ensure provisions remain sufficient taking into account historical warranty expenses and contract terms to ensure the provision is appropriate.

#### *Bonus Provision*

The Group recognised a liability and an expense for bonuses based on a formula that takes into consideration incentive (or other bonus) arrangements in place relative to the anticipated performance relative to the criteria in those arrangements. The Group recognised a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

#### *Make good provision*

A make good obligation is recognised when the Group leases premises and the lease contract contains an obligation to return the premises to its pre-lease condition at the conclusion of the lease. The provisions are calculated on a \$/sqm basis, are reviewed for appropriateness periodically, and recorded at the present value of the estimated future cost to make good the premises.

#### *Restructuring/Redundancy costs*

The provision for restructuring relates to the integration of the EIM business following acquisition, specifically employee termination benefits.

### **(g) BORROWINGS**

	2022			2021		
	Current	Non-current	Total	Current	Non-current	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Secured</b>						
Bank loans	600	-	600	1,200	600	1,800
Equipment loans	80	57	137	251	94	345
<b>Total borrowings</b>	<b>680</b>	<b>57</b>	<b>737</b>	<b>1,451</b>	<b>694</b>	<b>2,145</b>

*Movements in borrowings*

The movement in borrowings for the period is shown below:

	Bank loans	Equipment finance loan	Insurance premium funding	Total
	\$'000	\$'000	\$'000	\$'000
Carrying amount at the start of the year	1,800	345	-	2,145
Additional borrowings	-	477	1,584	2,061
Repayments during the year	(1,200)	(685)	(1,584)	(3,469)
<b>Carrying amount at end of year</b>	<b>600</b>	<b>137</b>	<b>-</b>	<b>737</b>

*(i) Secured liabilities and assets pledged as security*

Bank loans represent amounts borrowed under the Group's multi-option working capital facility with NAB. The Group amended its facilities signed with NAB on 30 June 2022, amending the expiry date of the multi option facility to 31 March 2023. The new facility was reduced to \$8.6 million as at 30 June 2022 with \$0.3 million quarterly repayment of the NAB Corporate Markets Loan, the last payment of the NAB Corporate Markets Loan is 31 December 2022. All other facilities except the NAB Corporate Markets Loan will be expired on 31 March 2023.

Covenants imposed by the bank include a Finance Charges Cover Ratio, whereby the Group's EBITDA is adjusted for any finance lease charges and must exceed interest expenses by a ratio of 2:1, a Senior Operating Leverage (SOL) to EBITDA Ratio, where the Group's Total Debt must not exceed 3:1 and a Bank Guarantee Security Value covenant to be less than 100% at all times. Finally, the dividend payment amount of the Group in respect of any financial year must not exceed 60% of its net profit after tax for that financial year. On 30 June 2022, NAB waived the requirement to include confirmation of compliance with June 2022 Covenant in the Compliance Certificate to be delivered with respect of the period ending 30 June 2022.

Details of the amount utilised and available at the reporting date is set out below:

FACILITY	Limit at 30 June 2022	Amount used	Amount available
NAB Multi-option Facility	\$8.60 million	\$6.57 million	\$2.03 million
Corporate Markets Loan	\$0.60 million	\$0.60 million	-
Bank Guarantee Facility	\$7.50 million	\$5.97 million	\$1.53 million
Business Overdraft	\$0.50 million	-	\$0.50 million
<b>Total</b>	<b>\$8.60 million</b>	<b>\$6.57 million</b>	<b>\$2.03 million</b>
NAB Corporate and Purchasing Card	\$0.30 million	\$0.14 million	\$0.16 million
NAB Revolving Lease Limit	\$1.00 million	\$0.14 million	\$0.86 million

Amounts amortised under the corporate markets loan are available for redraw under the bank guarantee facility.

On 2 August 2022 a new finance facility was executed with Westpac Banking Corporation. The new facility has an overall size of \$23.8 million made up of the following facilities, details of the new facility can be found in 11 (a).

FACILITY	Limit
Flexible-option Facility	\$9.00 million
Bank Guarantee Facility	\$7.50 million
Business Overdraft	\$1.50 million
<b>Total</b>	<b>\$9.00 million</b>
SME Business Recovery Loan	\$5.00 million
Invoice Finance Facility	\$8.00 million
Business Credit Card Facility	\$0.30 million
Equipment Finance Revolving Facility	\$1.50 million

*(ii) Bank guarantees and contract performance bonds*

The Group utilises bank guarantees as security for its obligations under premises leases and to guarantee its performance and warranty obligations under certain construction, procurement and engineering services contracts.

*(iii) Other facilities*

The Group uses short term finance to fund expenses such as its insurance premiums and software licenses so that the cash flow for these annual expenditures is spread over the year. These loans are not secured.

### Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented:

	2022 \$'000	2021 \$'000
<b>Net debt</b>		
Cash and cash equivalents	6,415	8,337
Borrowings – repayable within one year	(680)	(1,451)
Borrowings – repayable after one year	(57)	(694)
	<b>(5,678)</b>	6,192
Cash and cash equivalents	6,415	8,337
Gross debt – fixed interest rates	(137)	(345)
Gross debt – variable interest rates	(600)	(1,800)
	<b>(5,678)</b>	6,192

	Other assets	Liabilities from financing activities			
	Cash	Bank loans	Equipment finance loan	Insurance premium funding	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2020	15,930	(3,000)	(548)	-	12,382
Cash flows	(7,593)	1,200	203	1,258	(4,932)
Insurance premium finance	-	-	-	(1,258)	(1,258)
At 30 June 2021	8,337	(1,800)	(345)	-	6,192
At 1 July 2021	<b>8,337</b>	<b>(1,800)</b>	<b>(345)</b>	<b>-</b>	<b>6,192</b>
Cash flows	<b>(1,922)</b>	<b>1,200</b>	<b>208</b>	<b>1,584</b>	<b>1,070</b>
Insurance premium finance	-	-	-	<b>(1,584)</b>	<b>(1,584)</b>
At 30 June 2022	<b>6,415</b>	<b>(600)</b>	<b>(137)</b>	<b>-</b>	<b>(5,678)</b>

**6 NON-CURRENT ASSETS****(a) PROPERTY, PLANT AND EQUIPMENT**

	<b>Plant and equipment \$'000</b>	<b>Motor vehicles \$'000</b>	<b>Total \$'000</b>
<b>As at 1 July 2020</b>			
Cost	4,451	561	5,012
Accumulated depreciation	(3,249)	(429)	(3,678)
Net book amount	1,202	132	1,334
<b>Year Ended 30 June 2021</b>			
Opening net book amount	1,202	132	1,334
Additions	267	19	286
Acquisition of business	493	106	599
Disposals	(19)	(21)	(40)
Transfer	(20)	-	(20)
Depreciation charge	(613)	(6)	(619)
Closing net book amount	1,310	230	1,540
<b>As at 30 June 2021</b>			
Cost	10,461	2,038	12,499
Accumulated depreciation	(9,151)	(1,808)	(10,959)
Net book amount	1,310	230	1,540
<b>Year Ended 30 June 2022</b>			
Opening net book amount	<b>1,310</b>	<b>230</b>	<b>1,540</b>
Additions	<b>865</b>	<b>36</b>	<b>901</b>
Disposals	<b>(51)</b>	<b>(14)</b>	<b>(65)</b>
Depreciation charge	<b>(732)</b>	<b>(112)</b>	<b>(844)</b>
Closing net book amount	<b>1,392</b>	<b>140</b>	<b>1,532</b>
<b>At 30 June 2022</b>			
Cost	<b>15,836</b>	<b>1,558</b>	<b>17,394</b>
Accumulated depreciation	<b>(14,444)</b>	<b>(1,418)</b>	<b>(15,862)</b>
Net book amount	<b>1,392</b>	<b>140</b>	<b>1,532</b>



**Recognition and measurement**

Items of property, plant and equipment are measured at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss from derecognising the assets (the difference between the proceeds of disposal and the carrying amount of the asset) is included in "Other income" in the period the asset is recognised.

**Depreciation**

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated. Depreciation methods, useful lives and residual values are reviewed at each reporting date.

The estimated useful lives for the current and comparative periods are as follows:

Plant and equipment 3 - 10 years

Motor vehicles 4 - 5 years

**(b) LEASES**

This note provides information for leases where the Group is a lessee.

**(i) Amounts recognised in the balance sheet**

The balance sheet shows the following amounts relating to leases:

	30 June 2022 \$'000	30 June 2021 \$'000
<b>Right-of-use assets</b>		
Properties	5,776	4,812
Equipment	649	131
	<b>6,425</b>	4,943
<b>Lease liabilities</b>		
Current	2,482	2,640
Non-current	5,267	2,959
	<b>7,749</b>	5,599

**(ii) Amounts recognised in the statement of profit or loss**

The statement of profit or loss shows the following amounts relating to leases:

	<b>2022</b> <b>\$'000</b>	2021 \$'000
<b>Depreciation charge of right-of-use assets</b>		
Properties	<b>3,123</b>	2,625
Equipment	<b>213</b>	19
	<b>3,336</b>	2,644
Interest expense (included in finance cost)	<b>366</b>	215
Expense relating to short-term leases (included in cost of providing services and other administrative expenses)	<b>442</b>	445

The total cash outflow for leases in 2022 was \$2.7 million (2021: \$2.6 million).

**(iii) Right-of-use assets movement**

	Properties \$'000	Equipment \$'000	Total \$'000
<b>At 01 July 2020</b>			
Cost	6,976	41	7,017
Accumulated depreciation	(2,322)	(8)	(2,330)
Net book amount	4,654	33	4,687
<b>Year Ended 30 June 2021</b>			
Opening net book amount	4,654	33	4,687
Additions	-	36	36
Acquisition of business	2,783	81	2,864
Depreciation charge	(2,625)	(19)	(2,644)
Closing net book amount	4,812	131	4,943
<b>At 30 June 2021</b>			
Cost	11,133	158	11,291
Accumulated depreciation	(6,321)	(27)	(6,348)
Net book amount	4,812	131	4,943
<b>Year Ended 30 June 2022</b>			
Opening net book amount	<b>4,812</b>	<b>131</b>	<b>4,943</b>
Additions	<b>4,094</b>	<b>847</b>	<b>4,941</b>
Reclassification	-	<b>(123)</b>	<b>(123)</b>
Depreciation charge	<b>(3,123)</b>	<b>(213)</b>	<b>(3,336)</b>
Closing net book amount	<b>5,783</b>	<b>642</b>	<b>6,425</b>
<b>At 30 June 2022</b>			
Cost	<b>12,345</b>	<b>827</b>	<b>13,172</b>
Accumulated depreciation	<b>(6,569)</b>	<b>(178)</b>	<b>(6,747)</b>
Net book amount	<b>5,776</b>	<b>649</b>	<b>6,425</b>

**(iv) The Group's leasing activities and how these are accounted for**

The Group leases various offices, equipment and vehicles. Rental contracts are typically made for fixed periods of 12 months to 5 years, but may have extension options.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing, and
- makes adjustments specific to the lease, eg term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office furniture.

#### **(v) Extension and termination options**

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or period after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Most extension options in offices and vehicle leases have not been included in the lease liability, because the Group could replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercised) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.



**(c) INTANGIBLE ASSETS**

	<b>Goodwill</b>	<b>Application Software</b>	<b>Development Costs</b>	<b>Brand Names</b>	<b>Customer Contracts</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>As at 1 July 2020</b>						
Cost	5,990	454	138	-	4,164	10,746
Accumulated amortisation	-	(404)	(137)	-	(594)	(1,135)
Net book amount	5,990	50	1	-	3,570	9,611
<b>Year Ended 30 June 2021</b>						
Opening net book amount	5,990	50	1	-	3,570	9,611
Additions	-	52	24	-	-	76
Acquisition of business	5,510	36	-	343	1,253	7,142
Transfer	-	20	-	-	-	20
Amortisation charge	-	(72)	-	(9)	(738)	(819)
Closing net book amount	11,500	86	25	334	4,085	16,030
<b>As at 30 June 2021</b>						
Cost	11,500	1,011	161	343	5,418	18,433
Accumulated amortisation	-	(925)	(136)	(9)	(1,333)	(2,403)
Net book amount (previously reported)	11,500	86	25	334	4,085	16,030
<b>Year Ended 30 June 2022</b>						
Opening net book amount	<b>11,500</b>	<b>86</b>	<b>25</b>	<b>334</b>	<b>4,085</b>	<b>16,030</b>
Additions	-	<b>40</b>	<b>183</b>	-	-	<b>223</b>
Transfer	-	<b>(36)</b>	-	-	<b>36</b>	-
Amortisation charge	-	<b>(32)</b>	<b>37</b>	<b>(32)</b>	<b>(748)</b>	<b>(775)</b>
Impairment charge	<b>(866)</b>	-	-	-	-	<b>(866)</b>
Closing net book amount	<b>10,634</b>	<b>58</b>	<b>245</b>	<b>302</b>	<b>3,373</b>	<b>14,612</b>
<b>At 30 June 2022</b>						
Cost	<b>10,634</b>	<b>1,015</b>	<b>344</b>	<b>343</b>	<b>5,454</b>	<b>17,790</b>
Accumulated amortisation	-	<b>(957)</b>	<b>(99)</b>	<b>(41)</b>	<b>(2,081)</b>	<b>(3,178)</b>
Net book amount	<b>10,634</b>	<b>58</b>	<b>245</b>	<b>302</b>	<b>3,373</b>	<b>14,612</b>

**Goodwill**

Goodwill that is acquired in a business combination is initially measured at cost. Goodwill is measured at the cost of the acquisition less the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment. Refer to note 8(c) for goodwill impairment assessment and input judgements.

**Software and Systems**

Capitalised software expenditure is initially recognised at cost. The expenditure capitalised includes the direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Following initial recognition, software and systems are carried at cost less amortisation and any impairment losses. Amortisation is recognised in the consolidated statement of profit and loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date they are available for use. The estimated useful life applied is between 4 and 6 years.

Software-as-a-Service (SaaS) arrangements are service contracts which provide the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing licence fees, are recognised as an expense in profit or loss. Some of these costs incurred are for the development of software code that enhances or creates additional capability to existing systems and are recognised as an intangible asset when the recognition criteria are met.

**Development costs**

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available
- the expenditure attributable to the software during its development can be reliably measured
- Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use over their estimated useful lives.

Costs incurred in configuring or customising software in a cloud computing arrangement can only be recognised as intangible assets if the activities create an intangible asset that the Group controls and the intangible asset meets the recognition criteria. Those costs that do not result in intangible assets are expensed as incurred, unless they are paid to the supplier of the cloud-based software to significantly customise the cloud-based software for the Group, in which case the costs are recorded as a prepayment for services and amortised over the expected renewable term of the cloud computing arrangement.

**Customer contracts**

Customer contracts also includes customer relationships and non-compete agreement. The customer contracts were acquired as part of a business combination. They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line based on the timing of projected cash flows of the contracts over their estimated useful lives. The useful life for customer contracts and customer relationships is three years and non-compete agreement is seven years.

**Brand names**

Brand names acquired as part of a business combination are recognised separately from goodwill. Brand names are carried at their fair value at the date of acquisition less accumulated amortisation and any impairment losses. Where brand names' useful lives are assessed as indefinite, the brand names are not amortised but are tested for impairment annually, or more frequently whenever there is an indication that it might be impaired. Where brand names' useful lives are assessed as finite, the brand names are amortised over their estimated useful lives.

**7 CAPITAL AND RESERVES****(a) SHARE CAPITAL - MOVEMENTS IN ORDINARY SHARE CAPITAL**

	Shares '000	Issue Price	\$'000
Opening balance 1 July 2020	200,987		21,013
On-market Share Buy Back	(957)	\$0.1543	(148)
Ordinary shares issued 29 April 2021	16,667	\$0.1800	3,000
Exercise of Options issue date 30 June 2021	3,187	\$0.1092	348
Exercise of Options issue date 30 June 2021	531	\$0.0857	46
Balance 30 June 2021	220,414		24,259
Exercise of Options issue date 22 July 2021	<b>1,062</b>	<b>\$0.1252</b>	<b>133</b>
On issue at 30 June 2022 - fully paid	<b>221,476</b>		<b>24,392</b>
Less: Transaction costs arising on share issues	-	-	<b>(178)</b>
Deferred tax credit recognised directly in equity	-	-	<b>53</b>
Balance 30 June 2022	<b>221,476</b>		<b>24,267</b>

**(b) RESERVES - MOVEMENTS IN RESERVES**

	Share based payments reserve \$'000	Foreign currency reserve \$'000	Total \$'000
Opening balance 1 July 2021	551	(348)	203
Amount expensed during the year	111	-	111
Foreign Currency Translation Reserve movement	-	(88)	(88)
Closing balance 30 June 2022	<b>662</b>	<b>(436)</b>	<b>226</b>

The Company does not have authorised capital or par value in respect of its issued shares. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally regarding the Company's residual assets.

Where share capital recognised as equity is repurchased, the amount of consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity.

### (C) DIVIDENDS

Dividends are recognised as a liability in the period in which they are declared.

#### *Declared and paid during the year*

DECLARED AND PAID DURING THE YEAR	2022 \$'000	2021 \$'000
Current Year Interim	-	-
Previous Year Final	-	-
	-	-

FRANKING CREDITS	2022 \$'000	2021 \$'000
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2021 – 30%)	5,680	5,680

The above amounts are sourced from the balance of the OSD and EIM franking accounts as at the end of the reporting period, adjusted for franking credits and debits that will arise from the settlement of liabilities or receivables for income tax and dividends after the end of the year.

## 8 RISK

### (a) FINANCIAL INSTRUMENTS

#### *Non-derivative financial instruments*

Non-derivative financial instruments comprise investments in equity securities, trade and other receivables, cash and cash equivalents, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sale of the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and term deposits.

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

**(b) FINANCIAL RISK MANAGEMENT****Overview**

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

**Risk management framework**

The Board of Directors has delegated to the Audit and Risk Committee the responsibility to exercise oversight of how management monitors and reviews the adequacy of the risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

**Credit risk**

Credit risk is the risk of financial loss to the Group if a contracting entity fails to meet its obligations under a financial instrument or customer contract that will result in a financial loss to the Group. The Group is exposed to credit risk from its operating activities (principally from customer receivables and financial guarantees granted to customers) and financing activities including deposits with financial institutions.

**Exposure to credit risk**

The carrying amount of the Group's assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the end of the reporting period was:

	<b>2022</b> <b>\$'000</b>	2021 \$'000 (Restated)
Trade receivables (net of provision for impairment)	<b>17,356</b>	15,646
Sundry debtors and prepayments	<b>1,223</b>	1,328
Contract assets (net of provision for impairment)	<b>6,879</b>	4,870
	<b>25,458</b>	21,844
Cash and cash equivalents	<b>6,415</b>	8,337
	<b>31,873</b>	30,181

**Credit risks related to trade receivables and contract assets**

The Group trades with recognised, creditworthy third parties such as large resources and energy operations companies, government bodies, large contracting companies or other customers whom the Group has established trading history with. Customer credit risk is managed based on established policies, procedures and controls relating to customer credit risk management. This includes:

- for new customers for significant work - performing a credit worthiness assessment before credit terms are allowed and including the performance of credit checks if required;
- prior to signing a contract that is large for that customer - credit worthiness is assessed as part of the process of submitting the bid and negotiating terms and conditions.

In addition, the recoverability of trade receivable balances is regularly monitored as part of the monthly commercial and performance reviews of each major project by senior management to ensure that the trade receivables and the carrying value of each project's work in progress is recoverable. In extreme cases, the Group may consider ceasing work until any aged outstanding receivables or disputed amounts are paid or resolved.

The Group conducts an impairment analysis at each reporting date based on a detailed review of all trade receivables and un-invoiced work in progress to determine the likelihood of any credit losses. A provision is based on days past due and history with the associated customers and the market conditions they face. The provision calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

A receivable is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows have occurred. Evidence that a receivable is credit-impaired includes observable data about significant financial difficulty of the debtor or a breach of contract, such as a default or past due event.

Set out below is the information on the credit risk exposure at 30 June 2022 on the Group's trade receivables and contract assets, for which lifetime expected credit losses are recognised, using a provision calculation as specified above.

The maximum exposure to credit risk for trade and other receivables, contract assets (excluding loss allowances) by geographic region is as follows.

	<b>2022 \$'000</b>	2021 \$'000 (Restated)
Australia	<b>23,983</b>	20,532
New Zealand	<b>1,606</b>	1,442
	<b>25,589</b>	21,974

Details of the Group's most significant customer receivable balances at 30 June 2022 are shown in the following table. The most significant single customer at 30 June 2022 is a large, tier 1 resources company.

	<b>Carrying amount 2022 \$'000</b>	<b>% of trade receivables 2022</b>	Carrying amount 2021 \$'000	% of trade receivables 2021
Most significant single customer	<b>1,441</b>	<b>8%</b>	2,288	15%
Top ten most significant customers	<b>6,067</b>	<b>35%</b>	6,343	41%



The movement in the loss allowance in respect of trade receivables and contract assets during the year was as follows.

	<b>2022</b> <b>\$'000</b>	2021 \$'000
Closing loss allowance at 30 June	130	130

### **Credit risks related to financial instruments and cash deposits**

Credit risk from balances with banks and financial institutions is managed by the Group's Finance team. Investments of surplus funds are made with the Group's bankers who have a credit rating by Standard & Poor's rating agency of AA- or higher.

### **Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group manages this risk by ensuring that it has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. The Group ensures that it has enough cash available on demand to meet expected operational commitments in the short term including the servicing of financial obligations. The Group regularly forecasts cash flows to assess future liquidity requirements with ample time to hold discussions with the Group's bankers, if such discussions should be required.

The following are the contractual maturities of the Group's liabilities, including estimated interest payments and excluding the impact of netting agreements:

	<b>Carrying amount</b> <b>\$'000</b>	<b>Contractual cash</b> <b>flows</b> <b>\$'000</b>	<b>Less than 1</b> <b>year</b> <b>\$'000</b>	<b>More than 1</b> <b>year</b> <b>\$'000</b>
Balance at 30 June 2022				
<b>Financial liabilities</b>				
Trade payables	<b>14,425</b>	<b>14,425</b>	<b>14,425</b>	-
Borrowings (excluding finance leases)	<b>737</b>	<b>744</b>	<b>687</b>	<b>57</b>
Lease liabilities	<b>7,749</b>	<b>8,384</b>	<b>2,782</b>	<b>5,602</b>
Other financial liabilities	<b>1,766</b>	<b>1,766</b>	<b>605</b>	<b>1,161</b>
	<b>24,677</b>	<b>25,319</b>	<b>18,499</b>	<b>6,820</b>
Balance at 30 June 2021				
<b>Financial liabilities</b>				
Trade payables	13,149	13,149	13,149	-
Borrowings (excluding finance leases)	2,145	2,152	1,458	694
Lease liabilities	5,599	5,947	2,833	3,114
Other financial liabilities	2,259	2,259	139	2,120
	23,152	23,507	17,379	5,928

**Financing arrangements**

The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

	<b>2022</b> <b>\$'000</b>	2021 \$'000 (Restated)
Bank overdraft	<b>500</b>	1,500
Bank guarantee	<b>1,533</b>	3,410
	<b>2,033</b>	4,910

As at 30 June 2022, the Group had utilised a total of \$6.57 million of the \$8.60 million limit of its Multi-Option Facility with NAB and \$0.14 million of the \$1.00 million limit of its equipment finance facility.

**Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The market risk is not significant for the Group.

**Interest rate risk**

Interest rate risk is managed by ensuring that total interest rate cover is well in excess of minimum bank covenant requirements, to ensure the Group retains a high level of flexibility to absorb any adverse movements in interest rates.

**Profile**

At reporting date, the interest rate profile of the Group's interest-bearing financial instruments was:

	<b>30 June 2022</b> <b>\$'000</b>	30 June 2021 \$'000
<b>Variable rate instruments</b>		
Financial assets	<b>6,415</b>	8,337
Financial liabilities	<b>(600)</b>	(1,800)
	<b>5,815</b>	6,537
<b>Fixed rate instruments</b>		
Financial liabilities	<b>(137)</b>	(345)

**Cash flow sensitivity analysis for variable rate instruments**

A change of 200 basis points in interest rates would have increased/(decreased) equity and profit by the amounts shown below. A sensitivity of 2% (2021: 2%) has been selected as this is considered reasonably possible. The Directors cannot nor do they seek to predict movements in interest rates. These sensitivities are shown for illustrative purposes only.

	2022 \$'000	2021 \$'000
<b>Effect on profit before tax increase/(decrease)</b>		
If interest rates were 2% higher (2021: 2%)	7	11
If interest rates were 2% lower (2021: 2%)	(7)	(11)
<b>Effect on profit after tax increase/(decrease)</b>		
If interest rates were 2% higher (2021: 2%)	5	8
If interest rates were 2% lower (2021: 2%)	(5)	(8)
<b>Effect on shareholders' equity increase/(decrease)</b>		
If interest rates were 2% higher (2021: 2%)	5	8
If interest rates were 2% lower (2021: 2%)	(5)	(8)

### Foreign exchange risk

Foreign exchange risk arises from commercial transactions and recognised assets and liabilities that are denominated in or related to a currency that is not the Group's functional currency. The Group's most significant foreign exchange exposure relates to the New Zealand Dollar however this risk is considered to be low given the low level of the Company's cross border transactions between Australia and New Zealand and the structuring of intercompany loans. Contracts for work outside of Australia and New Zealand is usually denominated in Australian Dollars or New Zealand Dollars.

### Fair value versus carrying amounts

The fair values and carrying amounts of financial assets and liabilities shown in the balance sheet were not materially different at 30 June 2022 due to the short-term nature of these financial assets and liabilities.

### Capital management

The Board's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity. The Board of Directors determines whether dividends will be declared and paid to ordinary shareholders.

The Group aims to provide a balance between share price / capital growth and income in the form of dividends. The ultimate dividend paid is determined by the board after stringent consideration of general business and financial conditions, working capital requirements, taxation position, and future capital expenditure requirements.

As at the balance date the Group had a Multi-Option working capital and bank guarantee facility of \$8.6 million (refer to note 5(g) for details of this facility). The Group monitors its working capital position on a monthly basis and forecasts its cash flows on a weekly basis to ensure that adequate levels of liquidity are always maintained.

The Group also has in place an equipment lease facility with NAB of \$1.0 million (currently utilised \$0.14 million) used to fund IT capital expenditure.

The financial statements have been prepared on a going concern basis, which contemplates that the Group will continue to meet its commitments, realise its assets and settle its liabilities in the normal course of business. The COVID-19 pandemic has been unprecedented in recent times, but in the event that the economic impacts were to substantially deepen, the Directors are of the view that the Company will have liquidity available from its bankers, shareholders and other parties to continue as a going concern should additional liquidity be necessary in the short term.

### **Financial Performance and Position**

The Group recorded an operating loss in FY2022 of \$2.7 million (2021: loss of \$3.8 million) and operating cash inflows of \$3.1 million (2021: outflow of \$1.6 million). As at 30 June 2022 cash on hand was \$6.4 million (2021: \$8.3 million) and borrowings under the capital markets loan totaled \$0.6 million (2021: \$1.8 million).

### **Banking Facilities**

The Group operates its business activities through careful management of its cash reserves, operating cash flows and a "Multi-Option" finance facility provided by NAB. At 30 June 2022, this facility had a limit of \$8.6 million, split \$0.6 million to a corporate market loan used to re-finance term debt and has an expiry date of the 31 December 2022, \$7.5 million to a bank guarantee facility, and \$0.5 million overdraft facility to assist with short-term working capital requirements. The Group also had a revolving lease facility with a limit of \$1.0 million.

Available headroom in the overdraft facility at 30 June 2022 was \$0.5 million. Further details on the bank facilities, including applicable financial covenants, can be found in note 5(g).

The nature of the Group's work also requires that bank guarantees or bonds are issued in relation to tenant leases and certain projects, for example during the construction phase or in respect of warranty periods or defect liability periods for equipment or facilities. At 30 June 2022, the Group had used \$6.0 million in bank guarantees facility limit. The Group believes that the \$1.5 million headroom available under the NAB Bank Guarantee facility as at June 2022 is sufficient to meet the future bank guarantee requirements of any currently identified projects or proposals.

On 2 August 2022 a new finance facility was executed with Westpac Banking Corporation. The new facility has an overall size of \$23.8 million, details of the new facility can be found in 2.6 of Directors' Report.

### **Financial position and basis of preparation**

At 30 June 2022 the Group had \$6.4 million of cash on hand and undrawn overdraft facilities of \$0.5 million. As noted, at 30 June 2022 the Group recorded an operating loss of \$2.7 million, recorded a net operating cash outflow of \$3.1 million and has total current borrowings of \$0.7 million.

The Group has prepared a detailed cash flow forecast for the next twelve months and this shows an improvement in operating cash flows. The Group continues to have a strong billing and cash collection process for contract assets and debtors, with minimal debts being written off during the year and the aging profile of contract assets and debtors better than prior periods.

The Directors believe that the \$2.0 million headroom remaining under the Multi-option Facility with NAB is sufficient to meet the foreseeable future working capital and bank guarantee requirements of the business. However, should actual results or future forecasts indicate that additional working capital is required in the future, the Directors are confident that the Group will be able to raise additional funds through an equity raising, by obtaining alternative longer-term debt facilities or through the sale of assets.

The Group's forecasts and projections, taking into account reasonably possible changes in trading performance, show that the Director's expect the Group to operate within the limit of its current facilities and pay their debts as and when the fall due in the ordinary course of business.

**(c) IMPAIRMENT****Financial assets**

The Group has two types of financial assets, trade receivables and contract assets, that are subject to impairment assessment using the expected credit loss model.

**Non-financial assets***Testing for impairment*

The Group tests non-financial assets for impairment:

- At least annually for indefinite life intangible assets and goodwill; and
- Where there is an indication that the asset may be impaired (which is assessed at least each reporting period); or
- Where there is an indication that previously recognised impairment (on assets other than goodwill) may have changed.

If any such indication exists then the asset's recoverable amount is estimated, being the greater of its value in use and its fair value less costs to sell.

*Impairment tests for Goodwill***Cash Generating Units (CGUs) and goodwill allocation**

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of a related business combination and represent the lowest level within the Group at which management monitors goodwill. Cash-generating units to which goodwill has been allocated (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually. The identified Cash Generating Unit's ("CGU") for the Group are the Training Services and Engineering Services CGU's with goodwill allocated as follows:

<b>GOODWILL ALLOCATED TO CGUS - PRE IMPAIRMENT</b>	<b>2022 \$'000</b>	2021 \$'000
Engineering Services	<b>4,130</b>	4,130
Training Services	<b>7,370</b>	7,370
	<b>11,500</b>	11,500

**Calculation of recoverable amount – value in use**

An impairment loss is recognised for the amount by which the asset's (or cash-generating unit's) carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect current market assessments of the time value of money and asset-specific risk. For the 2022 and 2021 reporting periods, the recoverable amount of each segment was determined based on value-in-use calculations, covering a detailed five-year forecast, followed by an extrapolation of expected cash flows using a terminal growth rate determined by management. The present value of the expected cash flows of each segment is determined by applying a suitable discount rate (provided by an independent third party advisory firm) reflecting current market assessments of the time value of money and risks specific to the segment. The recoverable amounts calculated together with the growth and discount rates used in the estimation are set out below:

RECOVERABLE AMOUNT OF EACH OPERATING SEGMENT	2022 \$'000	2021 \$'000
Engineering Services	51,427	41,655
Training Services	9,182	25,003
	<b>60,609</b>	66,658

VALUE IN USE KEY ASSUMPTIONS	Growth Rates		Discount Rates (pre tax)	
	2022	2021	2022	2021
Engineering Services	2.0	2.0	13.1	11.5
Training Services	2.0	2.0	13.6	11.5

#### Growth rates

The cash flow projections included specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long-term compound annual EBITDA growth rate, consistent with the assumptions that a market participant would make.

#### Discount rates

The pre-tax discount rates are based on the weighted average cost of capital determined by prevailing or benchmarked market inputs, risk adjusted where necessary, and other assumptions are determined with reference to external sources of information and use consistent, conservative estimates for variables such as terminal cash flow multiples. Increases in discount rates or changes in other key assumptions, such as operating conditions or financial performance, may cause the recoverable amounts to fall below carrying values.

The recoverable amount of the goodwill is based on a Value-In-Use calculation with respect to the CGU and was determined by applying a five-year net present value calculation of projected cash flows and a terminal value at the end of the fifth year. The calculation of the Value-In-Use was determined having regard to the following key assumptions:

- Pre-tax discount rates of (13.1%) for Engineering CGU and (13.6%) Training CGU applied to the cash flows
- Expected future profits for the first year based on the Board approved budget for FY2023
- Revenue over the five year forecast based on expected sector revenue growth rates of 2% within the Engineering CGU and 5% within the Training CGU
- EBITDA margins for the five year forecast of between 7%-10% within the Engineering CGU and 6%-18% within the Training CGU
- Terminal growth rate of 2% applied beyond FY27

#### Engineering Services CGU

The estimated recoverable amount of the Engineering CGU exceeded its carrying amount by approximately \$40.4million (2021: \$28million). The increase in the recoverable amount can be attributed to higher earnings achieved in the Engineering segment together with a return to normalised margins following the close-out of several problem projects. Management has identified that a significant change would have to occur in all key assumptions in order to result in the carrying amount to exceed the recoverable amount.



*Training CGU*

A revision of forecast earnings within the Training CGU over the 5 year term and beyond together with a higher degree of estimation uncertainty implied within the discount rate used this year as compared to previous years resulted in the carrying amount of the CGU to be higher than its recoverable amount of \$9.2million (2021: \$25.0million), as such an impairment loss of \$0.87million during 2022 (2021: nil) was recognised. The impairment loss was fully allocated to goodwill. Management acknowledged the recoverable amount for the Training segment is particularly sensitive to any changes to the key assumptions, and as such decided to elevate the discount rate by a further 1.5% to allow for any estimation uncertainty in the recoverable amount calculation. Following the impairment loss recognised in the Group's Training CGU, the recoverable amount was equal to the carrying amount.

A summary of the goodwill allocated to each of Engineering services and Training services is presented below:

	Engineering Services \$'000	Training Services \$'000	Total \$'000
Opening balance 1 July 2021	4,130	7,370	11,500
Impairment charge	-	(866)	(866)
<b>Closing balance 30 June 2022</b>	<b>4,130</b>	<b>6,504</b>	<b>10,634</b>

## 9 CORPORATE AND GROUP

### (a) GROUP ENTITIES

#### *Parent and ultimate controlling entity*

The Group's principal subsidiaries at 30 June 2022 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Subsidiaries are all 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 can 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 and are deconsolidated from the date that control ceases.

	Australian Company Business Number	Country of incorporation	Ownership interest	
			2022 %	2021 %
OSD Pty Ltd	ACN 058 047 046	Australia	100	100
OSD Asset Services Pty Ltd	ACN 117 904 042	Australia	100	100
PIPEd Pty Ltd	ACN 117 496 741	Australia	100	100
OSD Projects Pty Ltd	ACN 153 827 279	Australia	100	100
OSD Velocity Pty Ltd	ACN 611 464 996	Australia	100	100
GWB Engineering Pty Ltd	ACN 058 405 762	Australia	100	100
LogiCamms Holdings Pty Ltd	ACN 163 483 636	Australia	100	100
LogiCamms (WA) Pty Ltd	ACN 127 715 762	Australia	100	100
LogiCamms West Pty Ltd	ACN 059 540 831	Australia	100	100
LogiCamms Consultants Trust	ABN 69 868 703 406	Australia	100	100
LogiCamms (PNG) Pty Ltd	ACN 078 567 049	Australia	100	100
Competency Training Pty Ltd	ACN 113 051 139	Australia	100	100
LogiCamms Australia Pty Ltd	ACN 113 919 565	Australia	100	100
LogiCamms (CGH) Pty Ltd	ACN 103 283 638	Australia	100	100
LogiCamms (Central) Pty Ltd	ACN 008 190 207	Australia	100	100
LogiCamms Shared Services Pty Ltd	ACN 101 159 184	Australia	100	100
LogiCamms Consulting Pty Ltd	ACN 604 427 894	Australia	100	100
Petromod Pty Ltd	ACN 149 788 929	Australia	100	100
Energy Infrastructure Management Pty Ltd	ACN 100 946 389	Australia	100	100
StacksOn IP Pty Ltd	ACN 646 392 430	Australia	100	100
LogiCamms New Zealand Limited (formerly ITL Ltd)		New Zealand	100	100
Independent Technology Holdings Limited		New Zealand	100	100
ITL Engineering New Zealand Limited		New Zealand	100	100
ITL Limited		New Zealand	100	100
ITL Engineering Australia Pty Ltd		New Zealand	100	100
OSD Pipelines Corporation (dormant)		Canada	100	100
OSD Chile S.A. (dormant)		Chile	100	100

**Parent entity disclosures**

	<b>2022</b>	2021
	<b>\$'000</b>	\$'000
<b>Result of the parent entity – Verbrec Limited</b>		
Profit/(loss) and comprehensive income for the year	<b>9,415</b>	(544)
<b>Financial position of parent entity at year end</b>		
Current assets	<b>5,130</b>	5,167
Total assets	<b>26,443</b>	34,335
Current liabilities	<b>(3,906)</b>	(20,827)
Total liabilities	<b>(3,918)</b>	(21,467)
<b>Net assets</b>	<b>22,525</b>	12,868
<b>Total equity of the parent entity comprising of</b>		
Share capital	<b>93,564</b>	93,431
Reserves	<b>662</b>	552
Accumulated losses	<b>(71,701)</b>	(81,115)
	<b>22,525</b>	12,868

**Tax consolidation**

Verbrec Limited and its wholly owned Australian controlled entities elected to form a tax consolidation group with effect from 30 June 2019 and are therefore taxed as a single entity. Verbrec Limited is the head entity of the tax consolidated group.

The head entity, Verbrec, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer.

In addition to its own current and deferred tax amounts, Verbrec also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into tax sharing and tax funding agreements, under which the wholly-owned entities fully compensate Verbrec for any current tax payable assumed and are compensated by Verbrec for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Verbrec under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

**(b) EQUITY ACCOUNTED INVESTEE (ASSOCIATE)**

NAME OF ENTITY	Country of incorporation	Ownership 2022	Ownership 2021
<b>KEGS Software Pty Ltd ("KEGS")</b>	Australia	0%	30%
			2021
			\$'000
Revenues			126
Expenses			(61)
Profit			65
Group share of profit			20
<b>MOVEMENT IN INVESTMENT IN ASSOCIATE</b>			2021
			\$'000
Opening Balance as at 1 July			68
Earnings from investment			20
Dividends from investment			(15)
Sale of equity accounted investee (*)			(73)
Closing Balance as at 30 June			-

\*The investment in KEGS was sold and settled on 29 June 2021 for \$0.1 million.

Interests in associates are accounted for using the equity method. Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

**(c) RELATED PARTIES**

## Key Management Personnel compensation

The Key Management Personnel compensation included in 'Other Operating Expenses' (see note 4(e)) is as follows:

	<b>2022</b>	2021
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	<b>1,545,453</b>	1,718,556
Post-employment benefits	<b>70,704</b>	73,823
Termination benefits	-	597,139
Non-monetary benefits	<b>2,088</b>	4,736
Share-based payments	<b>78,244</b>	169,081
	<b>1,696,489</b>	2,563,336

**Individual Director's and executive's compensation disclosures**

Information regarding individual Directors' and executives' compensation and some equity instruments disclosures as required by Corporations Regulations 2M.3.03 are provided in the Remuneration Report section of the Directors' Report. Apart from the details disclosed in this note, no Director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year-end.

**Key Management Personnel and their related parties**

No loans were made to Key Management Personnel and their related parties during the year. The Group has not advanced loans to key management persons or their related parties.

3,168,750 performance rights (refer to note 10) were issued to Key Management Personnel during the reporting period.

1,062,273 options were exercised by Key Management Personnel during the reporting period.

The movement during the reporting year in the number of ordinary shares in the Company held, directly, indirectly or beneficially, by Key Management Personnel is detailed in the Remuneration Report.

The terms and conditions of these transactions with management persons and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

**Non-Key Management Personnel disclosures**

There were no transactions with non-Key Management Personnel during the year that require disclosure.

**Acquisition of shares from related parties**

There were no acquisitions of shares from related parties in the 2022 financial year (2021: nil).

**Subsidiaries**

There is a related party relationship between the parent, Verbrec Limited, and each of its subsidiaries listed in note 9(a).

## 10 SHARE-BASED PAYMENTS

A long-term incentive plan was approved by the Company's Shareholders at the Annual General Meeting held on 26 November 2021. The 2022 financial year was the second year the incentive was available to be offered to Key Management Personnel and Executive Leadership Team.

**Term** Each Right has a Term of 15 years and if not exercised within that Term the Rights will lapse.

Financial Year	Tranche	Grant Date	Vesting Date	Grant Date Value
FY21	1	27/11/2020	30/06/2023	\$0.055
FY21	2	28/12/2020	30/06/2023	\$0.076
FY22	1	26/11/2021	30/06/2024	\$0.023
FY22	2	15/12/2021	30/06/2024	\$0.020
FY22	3	16/12/2021	30/06/2024	\$0.020
FY22	4	20/12/2021	30/06/2024	\$0.028

**Measurement Period** The Measurement Period for all Rights is from the commencement of the respective financial year until the end of three full financial years i.e. three financial years.

**Service Condition** Service during the first year of the Measurement Period is a requirement in order for all Rights that are the subject of this Invitation to become eligible to vest.

**Gate** For any vesting of Performance Rights to occur, the Company's total shareholder return (TSR) must be positive over the Measurement Period. TSR is the percentage gain for Shareholders over a specified period from share price growth and dividends assuming that dividends are reinvested into Shares.

**Earnings Per Share Growth (EPSG) Vesting Condition** The vesting condition for the Performance Rights is EPSG as measured on a compound annual growth rate (CAGR) basis. The CAGR is calculated by comparing the EPS for the last year of the Measurement Period (Final EPS) with the ESP for the year prior to the commencement of the Measurement Period (Base EPS) and calculating the compound annual growth rate required to move from the Base EPS to the Final EPS over the term of the Measurement period. EPS is calculate using normal accounting protocols.

Performance Level	CAGR for EPSG Over Measurement Period	Vesting %
Stretch	≥20%	100%
Between Target & Stretch	>15% & <20%	Pro-rata
<b>Target</b>	<b>15%</b>	<b>50%</b>
Between Threshold & Target	>10% & <15%	Pro-rata
Threshold	10%	25%
Below Threshold	<10%	0%

It should be noted that vesting above the Target outcome is not likely, nor should it be expected. The Board retains discretion to modify vesting outcomes, if it deems it appropriate to do so; refer to Plan Rules.

**Vesting and Vesting Date** If and when Rights vest, a Vesting Notice will be issued specifying the Vesting Date. Rights will typically vest following the completion of the Measurement Period based on an assessment of the Vesting Conditions, however Rights may vest before the end of the Measurement Period in some circumstances (refer to Rules, for example in the case of a delisting).

**Exercise Price** The Exercise Price for Performance Rights is nil.



**Pricing Model**

The Monte Carlo Simulation Methodology (MCSM), which utilises the Binomial Option Pricing Model, is used to estimate the fair value of the rights, the key inputs used to determine the hypothetical price path and present value of any vested ordinary shares in the MCSM is as follows:

INPUT	VALUATION AT VALUATION DATES			
	Tranche 1	Tranche 2	Tranche 3	Tranche 4
i. Underlying share price	\$0.130	\$0.120	\$0.120	\$0.150
ii. Exercise price	\$nil	\$nil	\$nil	\$nil
iii. Term	2.59yrs	2.54yrs	2.54yrs	2.53yrs
iv. Risk-free rate	0.735%	0.715%	0.765%	0.711%
v. Dividend yield	nil	nil	nil	nil
vi. Volatility (rounded)	74.0%	74.0%	74.0%	74.0%
vii. TSR comparison price at start of Measurement Period	\$0.145	\$0.145	\$0.145	\$0.145
viii. TSR hurdle	>0%	>0%	>0%	>0%

The movement in the performance rights for the year is as follows:

PERFORMANCE RIGHTS	Outstanding at 1 July 2021	Granted	Forfeited	Vested	Outstanding at 30 June 2022
Issued on 27 November 2020	1,968,750	-	-	-	1,968,750
Issued on 21 December 2020	1,770,098	-	-	-	1,770,098
Issued on 26 November 2021		1,968,750	-	-	1,968,750
Issued on 15 December 2021		231,000	-	-	231,000
Issued on 16 December 2021		177,375	(44,344)	-	133,031
Issued on 20 December 2021		2,185,375	-	-	2,185,375
	3,738,848	4,562,500	(44,344)	-	8,257,004

Performance Rights held by Key Management Personnel are as follows:

KMP	Grant date	Number granted	Vested	Outstanding at 30 June 2022
Linton Burns	27/11/2020	1,968,750	-	1,968,750
Linton Burns	26/11/2021	1,968,750	-	1,968,750
Michael Casey	21/11/2020	800,000	-	800,000
Michael Casey	20/12/2021	800,000	-	800,000
Matthew Cooper	20/12/2021	400,000	-	400,000

## 11 UNRECOGNISED ITEMS

### (a) SUBSEQUENT EVENTS

On 2 August 2022 a new finance facility was executed with Westpac Banking Corporation. The new facilities are generally on improved terms and provide greater flexibility than those that they replace. The new facility has an overall size of \$23.8 million made up of the following key features:

- Flexible Option Revolving Facility providing for both overdraft and bank guarantee sub-facilities
- Invoice Finance Facility
- SME Business Recovery Loan (Single Drawdown, 10-year term)
- Equipment Finance Revolving Facility
- Business Credit Card Facility

The facilities are on-going subject to half-yearly and yearly reviews and covenant reporting.

The combination of the overdraft, invoice finance and business loan sub-facilities provide flexibility to fund growth. Changes to the calculation of the leverage ratio also provides flexibility moving forward.

An orderly transition between the National Australia Bank and Westpac facilities will occur in the coming months.

There are no other material events subsequent to balance date that management is aware of that require disclosure.

### (b) CONTINGENT LIABILITIES

	<b>2022</b>	2021
	<b>\$'000</b>	\$'000
Bank guarantees on issue	<b>5,967</b>	5,290

The Group did not have any other contingent liabilities as at 30 June 2022 (30 June 2021: \$Nil).

## 12 BUSINESS COMBINATIONS

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

There were no acquisitions in the year ending 30 June 2022, there were two acquisitions in FY2021: acquisition of Energy Infrastructure Management Pty Ltd (EIM) in December 2020 and acquisition of Site Skills Training (SST) assets in April 2021.

As at 30 June 2022, the fair value of contingent consideration with regard to the FY2021 acquisition of SST assets is as follows:

	2022 \$'000	2021 \$'000
<b>Contingent consideration</b>		
Current	605	139
Non-current	1,161	2,120
	<b>1,766</b>	2,259

### 13 DEED OF CROSS GUARANTEE

Pursuant to ASIC Corporations (Wholly owned Companies) Instrument 2016/785, relief has been granted to all the controlled entities of Verbrec from the Corporations Act 2001 (Cth) requirements for preparation, audit and publication of accounts.

As a condition of the Class Order, Verbrec and the controlled entities subject to the Class Order, entered into a deed of indemnity on 28 June 2019. The effect of the deed is that Verbrec has guaranteed to pay any deficiency in the event of winding up of these controlled entities. The controlled entities have also given a similar guarantee in the event that Verbrec is wound up.

**(1) Holding Entity:**

<b>Name</b>	<b>Australian Company Number</b>
Verbrec Limited	ACN 127 897 689

**(2) Group Entities**

The companies in note 9(a) represent a 'closed group' except for New Zealand entities, Canada and Chilean entities for the purposes of the Class Order and, as there are no other parties to the deed of cross guarantee that are controlled by Verbrec Limited, they also represent the 'extended closed group'.



Set out below is a consolidated statement of profit or loss, a consolidated statement of comprehensive income and a summary of movements in consolidated retained earnings for the year ended 30 June 2022 of the closed group.

<b>CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b>	<b>2022 \$'000</b>	<b>2021 \$'000 (Restated)</b>
Revenue	<b>110,812</b>	87,076
Cost of providing services	<b>(78,361)</b>	(63,925)
Other income	<b>11,227</b>	1,261
Impairment charge on Goodwill	<b>(866)</b>	-
Other operating expenses	<b>(35,320)</b>	(28,306)
Finance (expense)/income	<b>(709)</b>	(690)
Share of net profit of equity accounted investees	-	20
<b>Profit/ (loss) before income tax</b>	<b>6,783</b>	(4,564)
Income tax expense	<b>495</b>	(234)
<b>Profit/ (loss) for the year</b>	<b>7,278</b>	(4,798)
Other comprehensive income for year, net of tax	<b>(81)</b>	24
<b>Total comprehensive profit/ (loss) for the year</b>	<b>7,197</b>	(4,774)

<b>SUMMARY OF MOVEMENTS IN CONSOLIDATED RETAINED EARNINGS</b>	<b>2022 \$'000</b>	<b>2021 \$'000</b>
<b>Retained earnings at the beginning of the financial year</b>	<b>(8,724)</b>	(3,926)
Net profit/ (loss) for the year	7,278	(4,798)
<b>Retained earnings at the end of the financial year</b>	<b>(1,446)</b>	(8,724)

Set out below is a consolidated balance sheet as at 30 June 2022 of the closed group.

<b>CONSOLIDATED BALANCE SHEET</b>	<b>2022 \$'000</b>	<b>2021 \$'000 (Restated)</b>
<b>Current assets</b>		
Cash and cash equivalents	6,045	7,787
Trade and other receivables	17,287	14,504
Contract assets	6,706	4,458
Current tax assets	140	30
<b>Total current assets</b>	<b>30,178</b>	<b>26,779</b>
<b>Non-current assets</b>		
Investment in equity accounted investees	-	-
Property, plant and equipment	1,410	1,351
Right-of-Use assets	6,313	4,898
Deferred tax assets	7,375	6,877
Intangible assets	14,612	16,030
<b>Total non-current assets</b>	<b>29,710</b>	<b>29,156</b>
<b>Total assets</b>	<b>59,888</b>	<b>55,935</b>
<b>Current liabilities</b>		
Trade and other payables	13,009	20,096
Contract liabilities	6,903	2,330
Borrowings	680	1,451
Lease liabilities	2,411	2,621
Other financial liabilities	605	1,035
Current tax liability	-	-
Employee benefits	5,327	5,543
Provisions	588	782
<b>Total current liabilities</b>	<b>29,523</b>	<b>33,858</b>
<b>Non-current liabilities</b>		
Employee benefits	694	1,101
Borrowings	57	694
Lease liabilities	5,228	2,934
Other financial liabilities	1,161	1,224
Provisions	552	676
<b>Total non-current liabilities</b>	<b>7,692</b>	<b>6,629</b>
<b>Total liabilities</b>	<b>37,215</b>	<b>40,487</b>
<b>Net assets</b>	<b>22,673</b>	<b>15,448</b>
<b>Equity</b>		
Share capital	24,133	24,001
Reserves	(14)	171
Retained earnings	(1,446)	(8,724)
<b>Total equity</b>	<b>22,673</b>	<b>15,448</b>



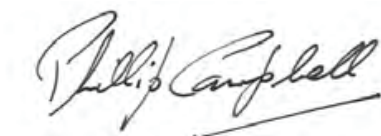
# Directors' Declaration

## In the directors' opinion:

- a. The consolidated financial statements and notes set out on pages 38 to 91 are in accordance with the Corporations Act 2001 (Cth), including:
  - i. complying with Australian Accounting Standards and the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
  - ii. giving a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the financial year ended on that date, and
- 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, and
- c. at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 13 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 13.

Note 2(a) confirms that the financial statements also complies with International Financial Reporting Standards as disclosed by the International Accounting Standards Board.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the Corporations Act 2001 (Cth). This declaration is made in accordance with a resolution of the directors.



**Phillip Campbell**  
**Chairperson**

Brisbane  
30 August 2022

## Independent Auditor's Report

### To the Members of Verbrec Limited

#### Report on the audit of the financial report

##### Opinion

We have audited the financial report of Verbrec Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated 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 2022 and of its performance for the year ended on that date; 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.

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## 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.

Key audit matter	How our audit addressed the key audit matter
<b>Revenue recognition of customer contracts (Note 4a)</b>	
<p>The Group enters into various contracts, including fixed price contracts, cost reimbursable contracts, capped reimbursable cost contracts and mixed contracts.</p> <p>Revenue is predominantly recognised over time based on the progress of the contract in reference to the satisfaction of performance obligations in accordance with AASB 15 <i>Revenues from Contracts with Customers</i>.</p> <p>Measuring the amount of revenue to recognise in the financial statements, including determining the appropriate timing of recognition, involves significant management judgement.</p> <p>This area is a key audit matter due to the degree of estimation and judgement associated with revenue recognition.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"><li>• obtaining an understanding of the Group's processes and key controls over contract establishment and project management procedures related to revenue recognition, trade receivables, contract assets and contract liabilities.</li><li>• Reviewing the revenue recognition policies to ensure compliance with accounting standards;</li><li>• testing key controls over the process to initiate, process and record revenue from contracts, including the allocation of costs to the appropriate contract;</li><li>• for a sample of contracts, verifying forecast revenue to supporting documentation including client signed contracts and variations and recalculating the progress towards satisfaction of the performance obligation.</li><li>• for revenue recognised based on the stage of completion, assessing the cost assumptions used by the Group in determining the stage of completion estimate as follows:<ul style="list-style-type: none"><li>– Costs incurred: assessing a sample of costs incurred to date to relevant underlying sources, such as invoices and time keeping records; and</li><li>– Estimated total costs: assessing a sample of total forecast costs for delivery activities for accuracy and reasonableness, observing and evaluating the process management undertakes to review project costing and considering the historical accuracy of management's forecasts.</li></ul></li><li>• testing a sample of training revenue invoices to supporting documentation to evaluate the occurrence and collection of revenue.</li><li>• evaluating the adequacy of the disclosures made in the financial report in light of the requirements of Australian Accounting Standards.</li></ul>

Key audit matter	How our audit addressed the key audit matter
<b>Recoverability of goodwill and other intangible assets (Note 6c &amp; 8c)</b>	
<p>The Group's consolidated statement of financial position includes significant intangible asset balances including goodwill and customer contracts assets.</p> <p>Pursuant to the requirements of AASB 136 <i>Impairment of Assets</i>, Management must assess indefinite life intangibles, such as goodwill, for impairment annually.</p> <p>Assets are allocated to each of the Group's two cash-generating units (CGUs) - Engineering Services and Training Services.</p> <p>The recoverable amounts of the CGUs have been estimated using the value-in-use (VIU) approach utilising a discounted cash flow model.</p> <p>This is a key risk area as impairment testing inherently involves critical accounting estimates and Management judgement.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• assessing whether management's determination of CGUs is appropriate and consistent with our knowledge of the Group's operations;</li> <li>• assessing whether the carrying value of the CGUs included all assets and liabilities directly attributable to the CGU and that the model included all cash flow directly attributable to the CGU and a reasonable allocation of corporate overheads;</li> <li>• evaluating the Group's historical ability to forecast future cash flows by comparing budgets with reported actual results;</li> <li>• assessing and challenging significant judgements within the model including the discount rate and growth rates;</li> <li>• verifying the mathematical accuracy of the model;</li> <li>• evaluating the Group's sensitivity analysis to assess whether a reasonably possible change in underlying assumptions would give rise to an impairment of the Group's goodwill balance;</li> <li>• evaluating the adequacy of the disclosures made in the financial report in light of the requirements of Australian Accounting Standards</li> </ul>

#### 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 2022, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and 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 Group's ability 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 the 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar1\\_2020.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1_2020.pdf). This description forms part of our auditor's report.

### Report on the remuneration report

#### Opinion on the remuneration report

We have audited the Remuneration Report included in pages 27 to 34 of the Directors' report for the year ended 30 June 2022.

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

### Responsibilities

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

Grant Thornton Audit Pty Ltd  
Chartered Accountants

CDJ Smith  
Partner – Audit & Assurance  
Brisbane, 30 August 2022

# ASX Information

Information is correct as at 16 August 2022.

## SHAREHOLDINGS

### TWENTY LARGEST SHAREHOLDERS

The names of the twenty largest shareholders, and the number of ordinary shares they each hold, is set out below:

SHAREHOLDER	UNITS	% OF UNITS
BRIAN PATRICK O'SULLIVAN	35,094,041	15.85
BOS HOLDINGS AUSTRALIA PTY LTD <THE BOS FAMILY A/C>	29,701,738	13.41
GFNA BARTLEY FAMILY PTY LTD <GFNA BARTLEY FAMILY A/C>	17,960,475	8.11
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	15,873,725	7.17
THORNEY HOLDINGS PTY LTD	12,904,412	5.83
UBS NOMINEES PTY LTD	11,805,161	5.33
CANDYBLOSSOM PTY LTD <MIRIMIN INVESTMENTS A/C>	10,921,538	4.93
BLOEMHOF PTY LTD	10,921,538	4.93
HSF SMSF PTY LTD <HORSTMANN SUPER A/C>	6,019,985	2.72
BOS AUSTRALIA SUPER PTY LTD <THE BOS SUPER FUND A/C>	4,615,000	2.08
GIFFARD SERVICES PTY LTD	4,249,093	1.92
MR LINTON WAYNE PAUL BURNS + MRS SUZANNE MARY BYRNE <BURNS FAMILY A/C>	4,057,884	1.83
MR ANDREW KEITH HORSTMANN + MRS JENNY ANN HORSTMANN <JOCKEY FAMILY A/C>	2,909,720	1.31
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,163,018	0.98
NORAMARY CONSULTANCY SERVICES PTY LTD <THE NORAMARY SUPERANNUATION FUND A/C>	2,000,000	0.90
MR LINTON WAYNE PAUL BURNS <LINTON BURNS S/F A/C>	1,943,960	0.88
CRAIG SHEATHER	1,633,887	0.74
NEIL MICHAEL GARDNER	1,396,889	0.63
MR PETER HOWELLS	1,350,000	0.61
MR RAHMON CHARLES COUPE + MRS JULIA DEBORAH COUPE <COUPE SUPER FUND A/C>	1,107,000	0.50
<b>TOTAL</b>	<b>178,629,064</b>	<b>80.65</b>
Balance of Register	42,847,106	19.35
<b>GRAND TOTAL</b>	<b>221,476,170</b>	<b>100.00</b>

## SUBSTANTIAL SHAREHOLDERS

The names of the substantial shareholders and their associates, and the number of ordinary shares they each hold,

SHAREHOLDER	UNITS	% OF UNITS
Brian Patrick O'Sullivan	69,410,779	31.34
Thorney Holdings Pty Ltd and TIGA Trading Pty Ltd	24,709,573	11.16
Candyblossom Pty Ltd and Bloemhof Pty Ltd	21,843,076	9.86
GFNA Bartley Family Pty Ltd	17,960,475	8.11
Forager Funds Management Pty Ltd	14,293,724	6.45
<b>TOTAL</b>	<b>148,217,627</b>	<b>66.92</b>
Balance of Register	73,258,543	33.08
<b>GRAND TOTAL</b>	<b>221,476,170</b>	<b>100.00</b>

## DISTRIBUTION RANGES

### ORDINARY SHARES

RANGE	TOTAL HOLDERS	UNITS	% OF UNITS
100,001 and over	112	207,860,463	93.85
10,001 – 100,000	328	11,262,676	5.09
5,001 – 10,000	199	1,614,163	0.73
1,001 – 5,000	195	721,956	0.33
1 – 1,000	67	16,912	0.01
<b>TOTAL</b>	<b>901</b>	<b>221,476,170</b>	<b>100.00</b>

There were 209 holders of unmarketable parcels of less than \$500.

### UNLISTED PERFORMANCE RIGHTS

RANGE	TOTAL HOLDERS	UNITS	% OF UNITS
100,001 and over	12	8,157,076	98.79
10,001 – 100,000	1	99,928	1.21
5,001 – 10,000	–	–	–
1,001 – 5,000	–	–	–
1 – 1,000	–	–	–
<b>TOTAL</b>	<b>13</b>	<b>8,257,004</b>	<b>100.00</b>

**UNLISTED OPTIONS:** The Company does not have any unlisted options. On 30 August 2021, Linton Burns exercised 1,062,273 options at a price of \$0.1252 per security. The options were exercised in the name of The Burns Family Trust.

**VOLUNTARY ESCROW:** Nil.

**BUY BACK:** The Company did not undertake any buy back activities during the financial year.

### VOTING RIGHTS:

**Ordinary Shares** – The voting rights attached to ordinary shares are governed by the Constitution. On a show of hands at a meeting of members, each member has one vote. On a poll at a meeting of members, each member has one vote for each fully paid ordinary share held, and a fraction of one vote for each partly paid ordinary share held equal to the proportion which the member has paid on the partly paid ordinary share (if the total number of votes to which a member is entitled to vote does not constitute a whole number, then the fractional part will be disregarded by the Company).

**Performance Rights** – There are no voting rights attached to any of the Company's performance rights.

**Options** – There are no voting rights attached to any of the Company's options.

**ON-MARKET PURCHASES:** There were no on-market purchases of securities by the Company during the reporting period.



# Corporate Directory

## DIRECTORS

Phillip Campbell – Chairman  
Linton Burns  
Matthew Morgan  
Brian O’Sullivan  
Sarah Zeljko

## JOINT COMPANY SECRETARIES

Andrew Ritter  
Joel Voss

## REGISTERED OFFICE

Level 14  
200 Mary Street  
Brisbane QLD 4000  
Phone: +61 7 3058 7000

## SHARE REGISTER

Computershare Limited  
Level 1  
200 Mary Street  
Brisbane QLD 4000

## AUDITOR

Grant Thornton  
King George Central  
Level 18  
145 Anne Street  
Brisbane QLD 4000

## SOLICITOR

Jones Day  
Level 31  
123 Eagle Street  
Brisbane QLD 4000

## BANKERS

Westpac Banking Corporation Limited  
Level 2  
90 Kittyhawk Drive  
Chermside QLD 4032

## SECURITIES EXCHANGE LISTING

Verbrec Limited shares are listed on  
the Australian Securities  
Exchange (ASX Code: VBC)

## WEBSITE

[www.verbrec.com](http://www.verbrec.com)

## CORPORATE GOVERNANCE STATEMENT

The Company’s Corporate Governance Statement is available on the Company’s website at: <https://verbrec.com/investor-centre/corporate-governance/>







