verbrec
evolution engineered

Annual Report

For the Financial Year Ended
30 June 2021

Contents


rbrec

FY2021 **Highlights**

REVENUE
$98.3M
(DOWN 16% YEAR ON YEAR)
Impacted by Covid-19, legacy projects and unresolved delay claim. Forecasting significant revenue growth in FY22 supported by strong revenue in last quarter and 70% increase in work-in-hand.

GROSS MARGINS
$27.7M
(DOWN 24% YEAR ON YEAR)
Due to poor bidding practices on three legacy projects and impact of delays which are subject to a claim. Underlying gross margin held up well increasing 1.5% Y-on-Y. Two of three poor performing projects expected to complete in H1FY22.

CASH POSITION
$8.3M
(DOWN 48% YEAR ON YEAR)
Decreased $7.6M due to three legacy projects, investment in strategic acquisitions and ERP system. Tight control over working capital continues.

GROWTH STRATEGY
Focussed on expanding existing capabilities, adding scale and increasing recurring and non-project revenues. Executed two acquisitions EIM and Site Skills Training.

STRONG OUTLOOK
All markets rebounding strongly, evidenced by work-in-hand increasing 70% from early FY21. Significant increase in bidding activity evidenced by increased pipeline of opportunities. Commercialisation of StacksOn™.

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.

Engineering

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

Training

- High Risk
- Hazardous Area
- Asset Management
- Pipeline Operations

Infrastructure Services

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

Our **Markets**

Verbrec provides services across diversified markets experiencing significant growth and undergoing major transformation creating considerable opportunities.

Mining & Minerals

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

Verbrec is seeing increased activity in its core capability areas of brown-field projects replacing outdated equipment, digital transformation, asset management and training.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. Labour shortage is creating opportunities for labour force to retrain through Verbrec's Training business.

Energy

Prices rebounded strongly from CY20 lows, looming east coast gas shortage, transition to renewables, gas as a transition fuel.

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

Infrastructure

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

Verbrec is currently executing digital transformation projects for water utilities as well as undertaking significant increases in Defence bidding activity, illustrated by recently securing a Defence power upgrade project. Support long-standing clients transform infrastructure to process and transport hydrogen.

Safety - **zero harm, always**

Key outcomes:

- 3.5 years since last recordable injury, TRIFR remains at 0
- Managed COVID-19 risks, to date no confirmed cases amongst our team
- Obtained ISO45001 HSEQ recertification, following an external audit of our systems and processes

Key initiatives:

- Safety leadership and values drive our continuous improvement
    - Use of mobile HSE App to digitalise recoding and reporting
    - Company-wide training on Authority to Stop Work
    - Increased focus on fitness for work

	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21
LTIFR	**1.14**	**0**	**0**	**0**	**0**	**0**
MTIFR	**1.14**	**2.39**	**1.45**	**0**	**0**	**0**
TRIFR	**2.28**	**3.59**	**4.35**	**0**	**0**	**0**

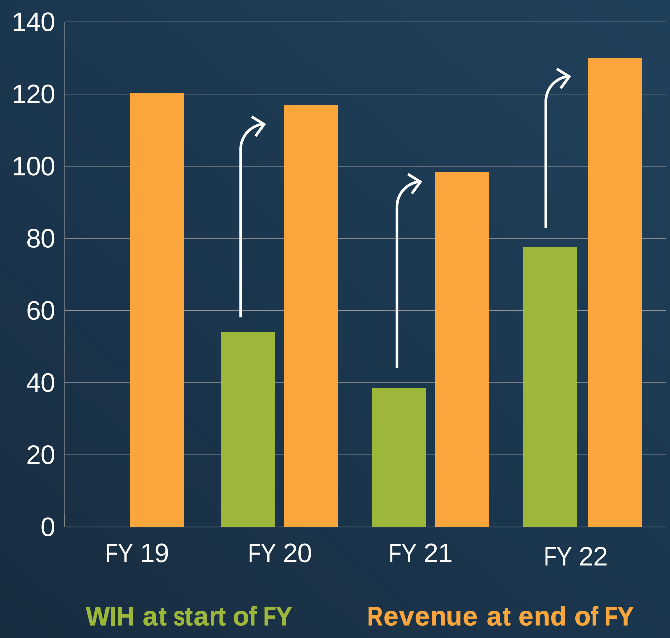
Revenue **Analysis**

Strong correlation between work-in-hand reported at start of the FY and revenue for that FY

Notes:

- FY19 revenue is pro-forma (combination of OSD and LogiCamms)
- Work-in-hand excludes Training revenue, forecast at $20M for FY22
- Focused on recurring and long dated revenues, portion of current work-in-hand will be derived in FY's beyond FY22
- No revenue guidance provided for FY22, for illustrative purposes only

Correlation between Work-in-hand and Revenue ($m's)




verbrec
verbrec
verbrec

Chairman's **Letter to shareholders**

Dear Shareholders,

I would firstly like to thank all our shareholders for their ongoing support this financial year - a year of many challenges and much uncertainty for businesses globally. I would also like to welcome new Shareholders including those who participated in the April 2021 placement which was over-subscribed and well supported by institutional and future focused investors.

Before proceeding, I encourage you to look beyond the headline results and scrutinise the underlying numbers that reveal the very satisfactory performance of our mostly new management team in delivering recently won work. Our backlog, heading into FY22, is bigger and of better quality than it has been for some years. While not wishing to ignore the reality of FY21, we are focused on the future.

The FY21 statutory result has been impacted by a clarification to an existing international accounting standard relating to the treatment of the expenditure in implementing a cloud-based ERP system. This is hard to rationalise in a digital age where Software as a Service (SaaS) is becoming standard practice. The full effect in FY21 being $0.85m. Even the banks are playing catch up in their understanding of this latest accounting standard change and its impact on covenant calculations – especially the operating leverage ratio which assesses EBITDA relative to debt. A full explanation is provided in Note 3(f) to the accounts.

The FY21 profit results have been adversely affected by a couple of costly legacy projects. Our engineers, project managers and support staff are shouldering the burden of completing these badly conceived projects and are working diligently with our customers to bring them to a conclusion as quickly as possible and to limit our further financial exposure. Linton Burns, our Managing Director, has more to say about that in his operations report. As a result of these poor performing legacy projects, the Board reviewed and has revised the delegations of authority, project management and governance practices to prevent a repeat occurrence.

Now let me turn to some more positive matters. The metamorphosis of your company commenced in June 2019 by the merger of LogiCamms Limited and OSD Pty Ltd, and continued at pace in FY21 with its emergence as Verbrec Limited in December 2020, following a wide ranging first quarter review of the business and the environment in which it operates.

In carrying out the review, the Board adopted a dispassionate view of the company's opportunities; for sustainable growth in the market segments it addresses, its standing in professional engineering circles and with customers more generally, its reputation in the financial markets, its structure, and the opportunities for its employees to grow and prosper. The overheads of being a small, listed company also came under close attention at the same time. There were several out-workings as a result of the first quarter review.

In September 2020 we welcomed Sarah Zeljko to the Board. Her background in law, her commercial skills and extensive construction experience have proved invaluable in FY21.

In September we also saw the departure of Chief Executive, Chris O'Neill after a challenging but successful couple of years as CEO pre and post the merger. At the same time, executive director, Linton Burns stepped into the Managing Director's role and executive-director Brian O'Sullivan moved to a non-executive role to focus on building his infrastructure development consultancy. This delivered its first dividend for Verbrec in May 2021 with the announcement of the pre-feasibility study for the magnetite mining hub in WA's mid-west.

Additionally, in September, we initiated a small parcel buy back of shares to simplify our share registry and reduce administrative costs. We also commenced the deregistration of many historic subsidiary companies as a business simplification and cost saving measure. A number of long dated, historic property leases have also reached the end of their term, providing an opportunity to reduce our property footprint and reduce costs.

The first quarter strategic review highlighted the need to increase the scale and geographic footprint of a number of Verbrec's service offerings both to enhance their market impact and reduce sensitivity to market fluctuations. Part of this was the curation and implementation of a precise and refocused growth strategy designed to leverage and expand on the company's existing capabilities. The decision was made to seek multiple small strategic bolt-on acquisitions as well as increase our business development activities in the relevant business segments.

The acquisition of Energy Infrastructure Management (EIM), a company owned by Arrow Energy and AGL, was a neat fit for Verbrec's existing pipeline services business – adding scale, diversified revenue streams, and long dated operations and maintenance contracts. That acquisition was completed in December 2020. Similarly, the February 2021 acquisition of Site Skills Group from ASX listed Site Group International Limited, added significant scale, diversification of revenue, new customer groups, and geographic expansion to Verbrec's existing business, Competency Training.

As part of our strategic expansion, we have identified other suitable acquisition targets and have a number of discussions on foot. In FY22 we expect to complete further acquisitions to add scale, as well as revenue and geographic diversification. Doing so will reduce single point dependencies and make your company more robust and less susceptible to cycles in the resource-based industries.

The successful capital raising in April 2021, partly in support of these acquisitions, and to provide further growth funding was taken by the Board as a vote of confidence in the strategy we have adopted to steadily build your company's capability to face the market with confidence as the economic conditions improve following the COVID-19 induced shocks of calendar 2020. However, it has not all been plain sailing in FY21, nor will it be in FY22.

I have been blessed to work with a small, very capable and dedicated Board of professionals in FY21. Although we have had very few opportunities to work shoulder to shoulder, we have adapted well to working with Zoom. Board meetings have had to be called at short notice and more frequently than in more normal times. None-the-less, my assessment is we have been an effective, united team.

We enter FY22 with a strengthened and more experienced team than we entered FY21with and focused by the introduction of the new LTI aimed at aligning executive's remuneration with total shareholder returns. Their ranks have been strengthened recently by the appointment of Matt Cooper as Chief Operating Officer.

We also enter FY22 in an environment of improved economic activity in the resources sectors driven by higher energy prices, solid iron ore prices, and the mini mining boom associated with battery materials. With both oil & gas and iron ore prices having nearly doubled from their FY21 lows, confidence has returned to our key mining and oil & gas industries. This is evidenced by the significant increase in Verbrec's work-in-hand or back-log.

While FY21 did not produced the bottom-line results we had planned for, the transformation to Verbrec is complete. We have a stronger management team, the best revenue prospects in years, a number of legacy projects nearly behind us, a refreshed finance team supported by a new all of company ERP system, and an improving business environment. This puts your company in an altogether different position than it was facing at the start of FY20.

Lastly, I would like to extend thanks to the entire Verbrec team for their tireless hard work over the last financial year and to each of our shareholders for their ongoing support. You should be buoyed by the confidence demonstrated by the Board and senior management in the future prospects of the company as evidenced by the recent share buying and exercising of stock options.

Yours sincerely,

Phillip Campbell
Chairman

Managing Director's **Letter to shareholders**

Dear Shareholders,

FY21 marked the first year of Verbrec which signifies the complete transformation of the business following the successful merger of OSD and LogiCamms back in 2019. Going forward, Verbrec will operate as one company and one team providing engineering and operations services across six areas of specialty that cover the entire lifecycle of an asset.

Prior to the company's transition to Verbrec a number of strategic changes were executed by the Board to ensure we are in the strongest position possible to deliver value for shareholders in financial years to come. One of those changes was my appointment as your Managing Director in October 2020.
I am pleased to be able to provide this operational, financial and strategic update on FY21.

Operational Update

For the third consecutive year we recorded no health, safety or environment incidents which is a testament to our strong HSE culture and robust systems.
We also went live with a new ERP system which replaced numerous legacy systems. This cements unification of the business as we now operate a sole project, financial and human capital management system. This results in one source of truth in terms of project and financial data from which management is able to make fully informed and timeline decisions. The ERP system is fully scalable providing a common platform for future growth.

Aside from these significant achievements, FY21 presented its fair share of challenges. While our people have generally adapted to unpredictable and disrupted work patterns in FY21, working from home and office, it has been a challenge to maintain a healthy, vibrant corporate culture. Maintaining momentum on projects that often require close collaboration for concept generation and detailed solution design has been a troublesome issue for Verbrec and our clients. Two long-running legacy projects, both upgrading the control systems for major water utility companies, have each suffered significant delays and cost over-runs. As previously advised, we have claims totalling approximately $2.3M in relation to the additional costs we have incurred on one of these projects. This claim is being vigorously pursued with the proceeds of it to be recognised as revenue when received.

A third, gas infrastructure project, was tendered far too aggressively in Q4FY20 when the uncertainties surrounding the impact of COVID-19 were at their greatest. As a result, this project is delivering poor margins and will continue to do so until it is completed in the first half of FY22.

In the later stages of FY21, we bolstered the management team with the appointment of Matt Cooper as Chief Executive Officer. Matt is a highly experienced project, business development and general management executive having previously worked in the oil & gas and mining industries. Matt's initial focus is on improving our tender, project delivery processes and systems to ensure they are sufficiently robust and scalable so that we are able to deliver all our projects on time and on budget particularly as we experience significant growth.

Financial Update

Our FY21 results, particularly the second half, were not what we had hoped. Whilst we did see a slight increase in revenues in the second half, both revenue and margins were impacted by the three above-mentioned poor performing projects. Our margins were further affected by a squeeze on sell rates and on-going delays in some projects being awarded. This was further compounded by productivity issues experienced in managing the impacts internally with our project delivery teams working remotely.

Detailed, bottom-up, reviews of the problematic projects were conducted in May 2021 resulting in a significant increase in forecast costs through to completion which resulted in a decrease in earnt revenue and margin take-up. At the same time a review of our project delivery systems and tighter controls over pricing and bid reviews were implemented. A project delivery taskforce is currently implementing all the recommendations arising from the review.

Excluding three poor performing projects (two of which were bid several years ago prior to the merger of OSD and LogiCamms and the third bid mid last year when the uncertainties surrounding the impacts of COVID-19 were at their highest), underlying gross margins were strong at 32.5% as compared to 31% in FY20. It is important we get these poor performing projects behind us, and not repeat the mistakes of the past. Once completed, we should see a strong rebound in our financial position.

Looking back, the later stages of CY20 and early CY21 were particularly challenging with low levels of activity. We responded by paying close attention to our overheads and in some cases our team members were working reduced hours.

With the softening office leasing market, we took the opportunity to renegotiate several leases. With a number of historic leases of underutilised offices coming to an end during FY22, we will see the commencement of the realisation of $1.2M per annum in real estate overhead savings.

Given the lower levels of activity and margin impacts referred to above we placed close attention to our working capital ensuring timely billing and strong focus on debtor collections. We funded the cash consideration of the Energy Infrastructure Management (EIM) and Site Skills acquisitions from existing cash reserves and undertook a successful private placement in April 2021.

Readers of our financial statements will also note that the costs we incurred implementing our new ERP system have now been expensed whereas they were previously capitalised. This is due to a change to the accounting rules. The impact being a $978,000 retrospective change to our FY20 earnings and the expensing of $847,000 this financial year.

Strategic Update

In the later stages of CY20, with all the merger integration and transformation behind us, we turned our focus to the implementation of a growth strategy aimed at adding scale to our service offering to better service clients and improving margins through enhanced overhead coverage. Under this strategy, we will continue working to our strengths, our six areas of specialty, and continue to operate within the energy, mining and infrastructure industries across Australia, New Zealand and the Pacific (particularly PNG).

At the same time, we are focused on growing our recurring non-project-based revenue by securing long-dated operations and maintenance agreements, providing ongoing training programs and commercialising our internally developed and proprietary technology products.

We began executing on that growth strategy by completing two acquisitions – Energy Infrastructure Management (EIM) and Site Skills Training - which are both integrating well and performing in line with financial expectations.

The EIM team is fully integrated into the existing Verbrec Infrastructure Services team with one common operating platform being used for all contracts and project work. Through this and other operating synergies we have achieved our target of delivering cost savings of ~$750,000 per annum. The integration of Site Skills with our existing training business, Competency Training, is ongoing and remains on-track, with all Site Skills courses and qualifications now operating under Competency Training's RTO designation. Back-office systems have also been migrated into one platform and new state-based funding agreements have been secured with all States.

Look Ahead

The near to medium term look-ahead is very encouraging as commodity prices in our key markets (particularly oil & gas and iron ore) have rebounded very strongly, both having doubled since CY20 resulting in improved confidence and business conditions. Our work-in-hand has risen 70% since January 2021 to $76.6 million. This excludes approximately $20 million in forecasted revenues for our training business for FY22. Bidding activity has also picked up and the sales pipeline is as strong as it has ever been.

We are already seeing the impact of this increased level of activity with several of our key financial indicators rebounding 20-25% from lows seen in early CY21.

Two of the above-mentioned poor performing projects are expected to complete in the first half of FY22. With such a strong forward order book we are then well positioned to move team members from these projects onto much higher margin generating projects that will provide a boost to overall Verbrec Group margins.

On this basis, we expect to see a significant improvement in both revenue and margins in FY22.

I would like to conclude by thanking our shareholders for your unwavering support and loyalty and congratulating the entire Verbrec team for their tireless efforts during an unprecedented and challenging FY21. The team's hard work and dedication to the Verbrec values, which we call the Verbrec Way, makes our business uniquely competitive and with this commitment, I am confident we have a very bright future ahead.

Yours sincerely

Linton Burns
Managing Director

Engineering
Technical Specialties

Digital Industry

Verbrec provides an integrated service and solution offering; from traditional OT systems through to modern fully-integrated cyber-physical solutions that incorporate the current practices and technology of Industry 4.1. This comprehensive offering enables our clients to realise maximum return on their assets.

- Digital Industry Consulting
- Enterprise wide data governance & information stream management
- Data analytics (including data cleansing & big data methods)
- Cyber-Physical Architecture Design
- Platform Design (traditional, cloud and edge based)
- Cyber Security
- IT/OT Systems Integration (PLC/DCS/RTU/SCADA/HMI)
- Obsolescence Projects
- Functional Safety

Pipeline Engineering

Our Pipelines Services offering, branded OSD, consists of an experienced team of registered pipeline professionals dedicated to providing excellence across the full life cycle of pipelines and associated assets.

These services range from due diligence and commercial services through to conceptualisation, valuation, design, construction and commissioning, as well as integrity assessments and providing specialist training. As pipeline industry leaders, OSD have been involved in the successful installation of thousands of kilometres of oil, gas, water and slurry pipelines throughout Australia, New Zealand, PNG, the Pacific Islands and South America

- Engineering Design
- Procurement Services
- Geomatics & Spatial Analytics
- AIDE (Automated Infrastructure Design Engine)
- Land Management & Regulatory Approvals

Power

Verbrec provides secure, cost effective and robust power solutions that are code-compliant and tailored to our clients' requirements. Verbrec is known for its impressive heritage in Power – focusing on cost-effectiveness, performance and compliance for clients.

- Electrical Power System Modelling and Advance Protection
- Grid Connections
- High Voltage Distribution Infrastructure
- Hazardous Areas Classification, Design, Inspection and Auditing
- Compliance Inspections, Fabrication Surveillance and localisation of Foreign Equipment
- Electrical Distribution Infrastructure
- Design of Earthing, Lightning Protection and Electrostatic Control
- Regulatory Services

Process Plant

Verbrec Process Plant provides single discipline and multi-disciplinary engineering, design and project delivery services for the oil and gas, chemical, mining and minerals, water, sugar and food and beverage industries. As a mid-tier engineering services partner, we have the scale and capability across our services to deliver on small engineering studies, as well as larger, more complex projects cost effectively, on time and on budget. Our hallmark agility, flexibility and responsiveness ensures value and integrity in our delivery.

Specialising in Process, Mechanical, Civil and Structural Engineering Design, our diverse team of professionals apply safe and often innovative solutions to provide outcomes for our clients. We have a proven track record in all phases of multidiscipline projects from initial concept through to execution and beyond.

Asset Management

Working with asset owners and operators across Australia, New Zealand and PNG, Verbrec's Asset Management team provides solutions that drive efficiency gains, cost reduction and productivity improvements to unlock higher value from client assets.

We pride ourselves on striving beyond the industry-standard methodologies, strengthened through years of practical experience to ensure that the outcome is not only achieved quickly but delivers real results.

We have multi-disciplined teams with the expertise, local knowledge and global experience needed to add value for clients from across the oil & gas, mining, minerals processing and utilities sectors.

Services Include:
- Performance Consulting
- Maintenance & Reliability Engineering
- Asset Integrity
- Materials & Inventory
- Data Science & Master Data
- Shutdowns & Turnarounds
- Operational Readiness

Operations **Specialties**

Industry Training

Competency Training (RTO 31299) provides specialist industrial training services for the Mining, Resources, Infrastructure and Manufacturing sectors under the Competency Training and Site Skills Training brands. We offer 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).

We engage industry experts to develop and deliver quality industrial training for major industrial operations and key infrastructure including drawing on personnel from parent company Verbrec who provide experience in engineering, project delivery and operations services. This allows the training division to provide technical training and compliance services that have a strong connection to industry best practice, delivered by technical experts. We have a particularly strong position in the provision of high quality training services in the areas of Electrical Safety, High Risk Licencing, Engineering, Construction, Machinery Operation and various site compliance courses.

Our Training Services division uses our “hands-on” training facilities and our leading virtual reality environments to embed practical skills and confidence. Our world class dedicated training facilities are in major centres where we run many courses in addition to the regularly conducted courses on our client’s sites. With the combination of a large range of courses and specialist delivery we are able to help our clients implement people centred upskilling solutions.

Infrastructure Services

OSD Infrastructure Services is a specialist provider of pipeline and compressor station operation and maintenance services in the Australian gas and mining industry. 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. OSD manages our work using our in-house application ‘Integrated Management and Operating System’ (IMOS).

This system integrates our IVMS, Works Permitting, Document Control, Remote Worker Check-in, Accounting and Timewriting, Works Planning and Management, Control Room Communications Log, Email, Calendars and SMS Notifications and SCADA; Realtime Alarm, Linepack Calculations and Telemetry.

OSD Infrastructure Services also undertakes standalone maintenance services for our clients including

- Cathodic Protection Surveys (DCVG, CIPS and On/Off)
- Cathodic Protection Design and Upgrades
- Pipeline Integrity Excavations and Composite Repairs
- Leak Surveys
- Nitrogen Purging
- Pipeline Surveillance

The OSD infrastructure Services and the Pipeline Engineering Group team up to deliver brownfields EPC projects for our clients in the oil, gas and mining industries. Our experience operating infrastructure provides us a competitive advantage delivering complex projects in a brownfield environment.

Directors' **Report**

Your Directors present their report on the consolidated entity consisting of Verbrec Limited ("Company" or "Verbrec" or "VBC", the name was changed from LogiCamms Limited to Verbrec Limited on 3 December 2020) and its controlled entities ("Group") for the financial year ended 30 June 2021.

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 (appointed 1 September 2020)
Mr Brian O'Sullivan AM	Non-Executive Director (moved from Executive Director to Non-Executive Director 28 September 2020)
Mr Linton Burns	Chief Executive Officer and Managing Director (Appointed Chief Executive Officer 28 September 2020)
Mr Michael Casey	Chief Financial Officer
Mr Matt Cooper	Chief Operating Officer (appointed 17 May 2021)
Mr Andrew Ritter	Company Secretary

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 primarily delivers engineering, training and infrastructure services to the Mining and Mineral Processing, Energy and Infrastructure industries. Our key geographies are Australia, New Zealand, Papua New Guinea and the Pacific Islands and we service these areas from our offices in Adelaide, Brisbane, Dalby, Darwin, Gladstone, Mackay, Melbourne, New Plymouth and Perth and from our project delivery site offices.

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

Engineering Services

Verbrec provides a range of engineering design 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:

Under OSD Infrastructure Services we provide 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. OSD manages its work 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

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 is seeing increased activity in our core capability areas of brown-field projects replacing outdated equipment, digital transformation, asset management and training. Our StacksOn™ software is an example of digital transformation. Labour shortages are creating opportunities for companies to retrain staff via our Training Services offering.

Infrastructure

Government stimulus measures are accelerating infrastructure projects including Defence. The water sector is actively implementing digital transformation projects. Verbrec is currently executing digital transformation projects for water utilities. We have seen a significant increase in Defence bidding activity, and recently secured a Defence power upgrade project.

Energy

We have seen a significant increase in project awards and bidding activity due to oil & gas prices having rebounded strongly from calendar year 2020 lows combined with the looming east coast gas shortage, the transition to renewables and use of gas or a transition fuel.

Verbrec recently won a decommissioning design project for a gas field, a long-dated asset management contract with a major east coast gas producer and are currently bidding on significant projects providing gas peaker capacity. In addition, we have on-going recurring operations and maintenance work under long-dated O&M agreements. We continue to support long-standing clients with study work, transforming infrastructure to process and transport hydrogen.

Outlook

Each of our markets have rebounded strongly from the lows experienced in calendar year 2020 due to the impacts of COVID-19. Key commodity prices in mining and oil & gas have risen significantly from the lows seen in calendar year 2020 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 has strongly recovered from the lows of last year and the pipeline of work being bid on is the strongest it has been for some time.

FY2022 will include the full year revenue and margin impact from the Energy Infrastructure Management Pty Ltd ("EIM") and Site Skills Training Assets ("SST") acquisitions. Additional revenue from these acquisitions is forecast to be between $13-14 million. Cost synergies have been realised from the EIM acquisition which will positively impact margins. We expect the training business to be able to offer a suite of new courses supported by new State Government funding agreements which will further expand the revenue base. The expected increased scale of the Group provides opportunity to expand margins through improved cost coverage. Of the three legacy projects that materially impacted the FY2021 result, two are expected to be finalised in the first half of FY2022.

The Group also plans to continue to focus on growing recurring revenues through long dated services and maintenance agreements. Currently, Verbrec has 26 Master Service Agreements and 8 Operations and Maintenance Agreements with tier 1 companies.

We soon expect to execute our first StacksOn™ long-term software licence agreement with a global resources company, which will provide a high margin recurring revenue stream. We intend to further commercialise and develop this 3D stock-pile 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. 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. As noted above, increased scale provides opportunities to expand margins through improved cost coverage.

2.3 Significant Risks

Market Risks

Some of the Company's markets were impacted negatively by COVID-19 and the associated depressed global oil and gas prices. Verbrec reacted swiftly to mitigate the impacts of COVID-19 and low oil and gas prices which materialised in March 2020, with cash preservation measures immediately put in place enabling the majority of our staff to work remotely while still delivering for our clients. Whilst commodity prices in our key markets have rebounded strongly from the lows seen in calendar year 2020 and governments are providing stimulus through infrastructure spend, there is still market risk regarding potential further impacts of COVID-19.

Regulatory Risks

The Company is subject to local laws and regulations in each of the jurisdictions in which it operates. Furthermore, Verbrec 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 Verbrec's activities. Any such impacts may adversely impact Verbrec's future operating and financial performance.

Litigation and Industry Risks

In the course of its business, Verbrec 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.

Geographic Risks

Verbrec has a diversified geographic footprint with operations across Australia and New Zealand, and the Company 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.

Verbrec's business is predominantly based on serving the mining and mineral processing, hydrocarbons (oil & gas and chemicals) and infrastructure (particularly water) industries. As such Verbrec'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.

Financial Risks

The Group's ongoing financial strength depends on the Group's ability to generating earnings and to make interest and principal repayments on its debt.

During August 2021, the Group renegotiated its Multi-Option Facility with its bank. The outcomes of the negotiations include:

- A temporary $1.5 million increase 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.

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 Verbrec 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;
- Changes in employment levels and labour costs, wage inflation and changes in industrial relations laws, which will affect the cost structure of Verbrec.

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 Verbrec.

2.5 COVID-19 Subsidies

One of the Group entities was eligible for the Australian Government's JobKeeper wage subsidy scheme and received $1.5 million in wage subsidies for the year ended 30 June 2021 (2020: $0.6 million). Two of the Group's entities in New Zealand were also eligible for the New Zealand Government's equivalent scheme in FY2020 ($0.5 million) and were not eligible in FY2021.

2.6 Accounting Policy change - Cloud based Software as a Service (SaaS)

In April 2021, the International Accounting Standards Board (IASB) ratified the agenda decision of the IFRIC (IFRS Interpretations Committee) in considering how an entity should account for configuration and customisation costs incurred in implementing a SaaS arrangement. The IFRIC concluded that these costs should be expensed unless the criteria for recognising a separate asset are met.

At the end of the reporting period the Group had capitalised $1.82 million in relation to the Workday ERP implementation. This accounting policy change resulted in a write-off of $0.97 million in FY2020 and $0.85 million in FY2021 and a retrospective restatement of the FY2020 primary statements in accordance with AASB 108 (Accounting Policies, Changes in Accounting Estimates and Errors).

2.7 After Balance Date Events

Following discussions with NAB, amendment was made to the multi-option facility structure which includes a temporary increase to the overdraft of $1.5 million, a deferral of the September 2021 loan repayment ($0.3 million) to March 2022 and also a waiver of the July and August 2021 SOL covenant. 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 2021 is below:	2021 $'000 (audited)	2020 $'000 (audited) (Restated)
Revenue	**98,312**	116,996
Earnings before interest, tax, depreciation, amortisation and impairment ("EBITDAI")	**1,216**	7,907
Profit / (Loss) before tax	**(3,255)**	3,062
Income tax expense *	**(608)**	(1,244)
Profit / (Loss) for the year attributable to equity holders in the Company	**(3,863)**	1,818
EBITDAI Normalised ($'000)	**7,729**	11,154
EBITDA Normalised ($'000)	**7,729**	10,823

** No tax payable in Australia since Verbrec Limited has accumulated tax losses totalling $28.3 million (FY2020: $24.5 million).*

Below is the reconciliation between statutory EBITDA and EBITDAI/EBITDA Normalised:

	2021 $'000	2020 $'000
Statutory EBITDAI	**1,216**	7,907
Normalisations		
Impairment of investment in KEGS	**-**	(331)
Merger/acquisition transaction costs and other one-offs*	**878**	3,003
COVID-19 (net)	**(1,498)**	(400)
ERP write-off	**847**	978
Legacy job margins	**6,286**	-
EBITDAI Normalised	**7,729**	11,157
Less: Impairment of investment in KEGS	**-**	(331)
EBITDA Normalised**	**7,729**	10,826

**Includes acquisition expenses ($0.5 million), net restructuring costs ($0.3 million) and commission on EIM acquisition ($0.1 million)*
*** Does not include $2.3 million delay claim being vigorously pursued.*

The Group's statutory financial results for FY2021 compared to the financial results for FY2020 are as follows:

- Revenue of $98.3 million, down from revenue of the Group of $117.0 million for the 2020 financial year;
- EBITDAI of $1.2 million, down from an EBITDAI of the Group of $7.9 million for the 2020 financial year; and
- EBITDAI as a percentage of revenue at 1.2%, down from a percentage of the Group of 6.8% for the 2020 financial year.
- Loss before tax of $3.3 million, down from a profit before tax of the Group of $3.1 million for the 2020 financial year; and
- Loss after tax of $3.9 million, down from a profit after tax of the Group of $1.8 million for the 2020 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 outflow of $1.6 million (2020: inflow of $10.6 million).

3.3 Statement of Financial Position

The Group's total assets increased to $60.2 million in 2021 (2020: $57.7 million). The end of year cash balance of $8.3 million decreased from $15.9 million in 2020.

The net assets of the Group decreased to $26.1 million at 30 June 2021 (2020: $26.7 million).

The Group's total liabilities increased to $34.0 million at 30 June 2021 (2020: $31.0 million), due to increases in both trade and other payables and other financial liabilities.

At 30 June 2021, the Group had utilised $7.1 million of its $12 million NAB Multi Option Facility. The composition of the $7.1 million was made up of $1.8 million of the Corporate Markets loan and $5.3 million of the Bank Guarantee Facility. None of the Group's $1.5 million Business Overdraft Facility had been utilised. During August 2021 the Business Overdraft Facility was increased to $3.0 million.

3.4 Dividends

Verbrec Limited did not declare any dividend in the 2021 financial year, or after the end of the financial year (FY2020: $Nil).

4. Information on Directors and Officers

4.1 Information on current Directors

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 he has significant experience in expanding and developing businesses.
Special responsibilities	Chairperson of the Board (appointed 26 February 2020) Chairperson of the Nomination & Remuneration Committee (appointed 22 October 2019) Chairperson of the Board Proposal Approval (Projects) Committee (appointed 22 October 2019) Member of the Audit & Risk Committee (appointed 28 February 2020)
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	520,000 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
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 (appointed 26 November 2019) Member of the Nomination & Remuneration Committee (appointed 22 October 2019)
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	378,205 ordinary shares

4.1 Information on current Directors (continued)

Ms Sarah Zeljko

Title	Independent Non-Executive Director
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, Energy Super, Millovate, Unitywater and Stockyard Beef and was recently appointed as Chair of Uniq You.
Special responsibilities	Member of the Audit & Risk Committee (appointed 1 September 2020) Member of the Nomination & Remuneration Committee (appointed 1 September 2020), Member of the Board Proposal Approval (Projects) Committee (appointed 1 September 2020)
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

Title	Non-Executive Director
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 Nomination & Remuneration Committee Member of the Board Proposal Approval (Projects) Committee (appointed 4 March 2020)
Directorships of other listed companies *(current or held within the last 3 years)*	N/A
Interests in the Company	77,103,087 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, Chartered Accountant ANZ
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	4,939,571 ordinary shares 1,062,273 options 1,968,750 performance rights

Mr Michael Casey

Title	Chief Financial Officer
Details	Appointed 12 February 2020
Qualifications	B. Bus (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 20 years' senior finance experience. Prior to joining Verbrec, Michael held senior finance and commercial positions in companies including FLSmidth, Ausenco and Cardno 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	800,000 performance rights

Mr Matt Cooper

Title	Chief Operating Officer
Details	Appointed 17 May 2021
Qualifications	B. Engineering (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	Nil

Mr Andrew Ritter

Title	Company Secretary
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

4.3 Former Directors and Officers

Chris O'Neill resigned as Chief Executive Officer of Verbrec Limited (and as Director of all subsidiaries) on 28 September 2020.

4.4 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		Project Committee Meetings	
	A	H	A	H	A	H	A	H
Phillip Campbell	17	17	3	3	3	3	3	3
Matthew Morgan	16	17	3	3	3	3	-	-
Sarah Zeljko (appointed 1 September 2020)	15	15	2	2	2	2	2	2
Brian O'Sullivan	17	17	3	3	3	3	3	3
Linton Burns #	17	17	1	1	1	1	3	3

A = Number of meetings attended.
H = Number of meetings held during the time the Director was a member of the Board or Committee.
# = Mr Linton Burns was a member of the Audit & Risk Committee and Nomination & Remuneration Committee up until his appointment as Managing Director & Chief Executive Officer on 28 September 2020. From that date Mr Burns attended these Committee meetings as an invitee.

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 $160,500 (2020: $177,953) in respect of directors' and officers' liability insurance policies.

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

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 2021 Corporate Governance Statement is dated as at 30 June 2021 and reflects the corporate governance practices in place throughout the FY2021 financial year. The 2021 Corporate Governance Statement was approved by the Board on 27 August 2021.

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.

7. Remuneration Report – Audited

The Directors present the Verbrec Limited remuneration report, which has been audited, for the financial year ended 30 June 2021, 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 2021, and continue to have going into FY2022. 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 FY2021, 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 (appointed 1 September 2020)
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 FY2021, and continuing (unless noted as resigned), are:

Name	Position
Chris O'Neill	Chief Executive Officer (resigned 28 September 2020)
Michael Casey	Chief Financial Officer
Matt Cooper	Chief Operating Officer (appointed 17 May 2021)

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) in FY2021 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 FY2021, in addition to individual performance measures; and
  - › Long Term Incentive (LTI) – a new 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.

Due to the Group's EBIT result for the year ended 30 June 2021 no STI payments have been accrued to be paid.

7.3.2 Long-term incentives

Upon the resignation of Chris O'Neill on 28 September 2020, a total of 1,750,000 unvested performance rights that were issued to Mr O'Neill under a previous performance rights plan lapsed due to cessation of employment.

On 27 November 2020 and 22 December 2020, a total of 3,738,848 performance rights were issued to the Executive Leadership Team under a new plan that was approved by the Company's Shareholders at the Annual General Meeting held on 27 November 2020. Mr Linton Burns received 1,968,750 performance rights and Mr Michael Casey received 800,000 performance rights as part of this issue. The key terms of the issue are as follows:

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

Grant Date	Vesting Date	Grant Date Value
27/11/2020	30/06/2021	$0.055
21/11/2020	30/06/2021	$0.076

Measurement Period

The Measurement Period for all Rights outlined in this Invitation is from the commencement of FY21 to the completion of FY23 i.e. three financial years.

Service Condition

Continued service with the Group up to the Vesting Date is not a requirement for Rights to become eligible to vest. 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.

7.3.2 Long-term incentives (continued)

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 calculate 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 FY2021 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	$450,000	50%	70%
Michael Casey	Chief Financial Officer	$320,000	25%	40%
Matt Cooper	Chief Operating Officer (appointed 17 May 2021)	$320,000	25%	20%

7.3.4 Discretionary STIs awarded

In consideration of performance, a discretionary STI of $0.075 million was paid to Mr Linton Burns in FY2021 in relation to FY2020 (FY2020: $0.085 million).

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 2021.

	2021	2020
EBITDAI ($'000)	1,216	7,907
EBITDAI Normalised ($'000)	7,729	11,154
EBIT ($'000)	(2,867)	3,685
Basic earnings per share (cents per share)	(1.9)	0.9
Diluted earnings per share (cents per share)	(1.9)	0.9

7.4 KMP Remuneration

	Year	Fixed remuneration: Salary[1] & Fees $	Fixed remuneration: Non-monetary benefits $	Fixed remuneration: Annual and long service leave [2] $	Fixed remuneration: Post-employment benefits $	Variable remuneration: STI Cash Bonus [3] $	Variable remuneration: Termination benefits[4] $	Variable remuneration: Performance Rights[5] $	Total $	Proportion of remuneration performance related %	Value of options and Rights as proportion of remuneration %
Non-Executive Directors											
Charles Rottier (resigned 28 February 2020)	FY20	73,762	-	-	8,609	-	-	-	82,371	-	-
Richard Robinson (resigned 26 November 2019)	FY20	42,917	-	-	-	-	-	-	42,917	-	-
Phillip Campbell	**FY21**	**114,000**	-	**-**	**-**	**-**	**-**	**-**	**114,000**	**-**	**-**
	FY20	61,019	-	-	-	-	-	-	61,019	-	-
Sarah Zelijko (appointed September 2020)	**FY21**	**61,250**	**-**	**-**	**-**	**-**	**-**	**-**	**61,250**	**-**	**-**
	FY20	-	-	-	-	-	-	-	-	-	-
Brian O'Sullivan (from 28 September 2020)	**FY21**	**146,250**	**-**	**-**	**-**	**100,000**	**-**	**-**	**246,250**	**40.61**	**-**
	FY20	-	-	-	-	-	-	-	-	-	-
Matthew Morgan	**FY21**	**71,250**	-	-	-	-	-	-	**71,250**	-	-
	FY20	48,266	-	-	-	-	-	-	48,266	-	-
Total Non-Executive Director Remuneration	**FY21**	**392,750**	**-**	**-**	**-**	**100,000**	**-**	**-**	**492,750**	**-**	**-**
	FY20	225,964	-	-	8,609	-	-	-	234,573	-	-
Executive Directors											
Brian O'Sullivan (up to 28 September 2020)	**FY21**	**208,092**	**1,002**	**-**	**11,849**	**-**	**171,384**	**-**	**392,327**	**-**	**-**
	FY20	316,805	3,712	-	20,500	20,000	-	-	361,017	5.54	-
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**
	FY20	451,807	-	45,852	26,003	420,000	365,384	-	1,309,046	32.08	-
Total Executive Directors	**FY21**	**642,059**	**1,002**	**11,837**	**36,048**	**68,493**	**171,384**	**108,281**	**1,039,104**	**-**	**-**
	FY20	768,612	3,712	45,852	46,503	440,000	365,384	-	1,670,063		
Executives											
Chris O'Neill (resigned 25 September 2020)	**FY21**	**171,813**	**-**	**-**	**12,425**		**425,755**	-	**609,993**	**-**	**-**
	FY20	495,777	708	-	25,772	55,000	-	77,820	655,077	20.28	11.88
Matt Cooper (appointed as COO 17 May 2021)	**FY21**	**34,420**	**-**	**-**	**2,719**		**-**	**-**	**37,139**	-	-
	FY20	-	-	-	-		-	-	-	-	-
Michael Casey	**FY21**	**281,121**	**3,734**	**16,063**	**22,630**	**-**	**-**	**60,800**	**384,348**	**15.82**	**15.82**
	FY20	64,295	1,437	5,946	6,108	10,000	-	-	87,786	11.39	-
Total Executives	**FY21**	**487,354**	**3,734**	**16,063**	**37,774**	**-**	**425,755**	**60,800**	**1,031,480**		
	FY20	560,072	2,145	5,946	31,880	65,000	-	77,820	742,863		

1. Salary payments includes only paid leave entitlements. From April 2020 to September 2020 all Directors and Executives took a voluntary 20% reduction in remuneration in response to COVID-19
(a) Phillip Campbell receives a fee of $120,000 per annum as Non-Executive Director and Chair.
(b) Sarah Zeljko 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 $130,411 in accrued leave entitlements (included under Salary & Fees).
2 The amounts disclosed in this column represent the increase in the associated provisions.
3(a) Brian O'Sullivan received a success fee of $100,000 in relation to his role as Development Advisor.
3(b) Mr Burns received a discretionary payment of $75,000 inclusive of superannuation in relation to FY20, which was paid in FY21
4. A termination benefit of $365,384 pursuant to the Executive Service Agreement for Linton Burns as Transition Director was accrued in FY20, but was not paid following his appointment as CEO & Managing Director in September 2020
5. Share based payment expense accrual for performance rights based on the service condition totalled $108,281 for Linton Burns and $60,800 for Michael Casey.

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

Name	Title	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
Matt Cooper	Chief Operating Officer (appointed 17 May 2021)	6 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	-	-
Brian O'Sullivan	$75,000	$120,000	$100,000
Matthew Morgan	$75,000	-	-
Sarah Zeljko	$75,000	-	-

*During FY2021, a success fee of $100,000 was paid to Brian O'Sullivan related to the acquisition of EIM (refer to note 12 for information on the business acquisition).

The Directors took a 20% remuneration decrease from April 2020 to September 2020 in response to COVID-19.

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 2020 ("SOFY")	Received on exercise of options	Ceased to be a KMP	Other changes	Balance at 30 June 2021 ("EOFY")
Brian O'Sullivan	77,103,087	-	-	-	77,103,087
Linton Burns	3,877,298	1,062,273	-	-	4,939,571
Chris O'Neill [1]	601,600	-	(601,600)	-	-
Phillip Campbell[2]	-	-	-	520,000	520,000
Matthew Morgan[2]	27,027	-	-	351,178	378,205

1 Chris O'Neill resigned effective 28 September 2020.
2 Shares purchased on and off market during the year.

7.8 Options and Performance Rights

In the reporting period there were no options issued by the Company. As at 30 June 2021, 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 outstanding at 30 June 2021
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	N/A	1,062,273
Linton Burns as trustee for Linton Burns Superannuation Fund	100,000	$1.16	21-Jul-21	1,062,273	$0.1092	$0.0597	21-Jul-21	$116,000	29-Jun-21	-
Craig Sheather	100,000	$1.16	21-Jul-21	1,062,273	$0.1092	$0.0597	21-Jul-21	$116,000	29-Jun-21	-
Laurie Paxton	50,000	$0.91	21-Jul-21	531,137	$0.0857	$0.0776	21-Jul-21	$45,500	28-Jun-21	-
Giffard Services Pty Ltd	100,000	$1.16	21-Jul-21	1,062,273	$0.1092	$0.0597	21-Jul-21	$116,000	25-Jun-21	-

Subsequent to the end of the reporting period, Linton Burns exercised the remaining 1,062,273 options by the expiry date (21 July 2021) and by mutual agreement will be issued shares before 31 August 2021.

1,968,750 performance rights were issued to Linton Burns and 800,000 performance rights were issued to Michael Casey during the reporting period. Details of performance right plan can be found in 7.3.2.

7.9 Other statutory information

Voting of shareholders at last year's annual general meeting

At its AGM on 27 November 2020, Verbrec Limited received approximately 99% of the votes cast in favour of the resolution adopting the remuneration report for the 2020 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 PwC, the Group's auditor, provided non-audit services. The non-audit services provided by PwC consisted of tax compliance services in the amount of $167,216, this included 31 December 2020 tax effect accounting and transfer pricing services.

The Directors are satisfied that the provision of non-audit services by PwC 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, PwC, 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
27 August 2021

Auditor's Independence Declaration

As lead auditor for the audit of Verbrec Limited for the year ended 30 June 2021, 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.

This declaration is in respect of Verbrec Limited and the entities it controlled during the period.

Michael Crowe

Michael Crowe
Partner
PricewaterhouseCoopers

Brisbane
27 August 2021

PricewaterhouseCoopers, ABN 52 780 433 757
480 Queen Street, BRISBANE QLD 4000, GPO Box 150, BRISBANE QLD 4001
T: +61 7 3257 5000, F: +61 7 3257 5999, www.pwc.com.au

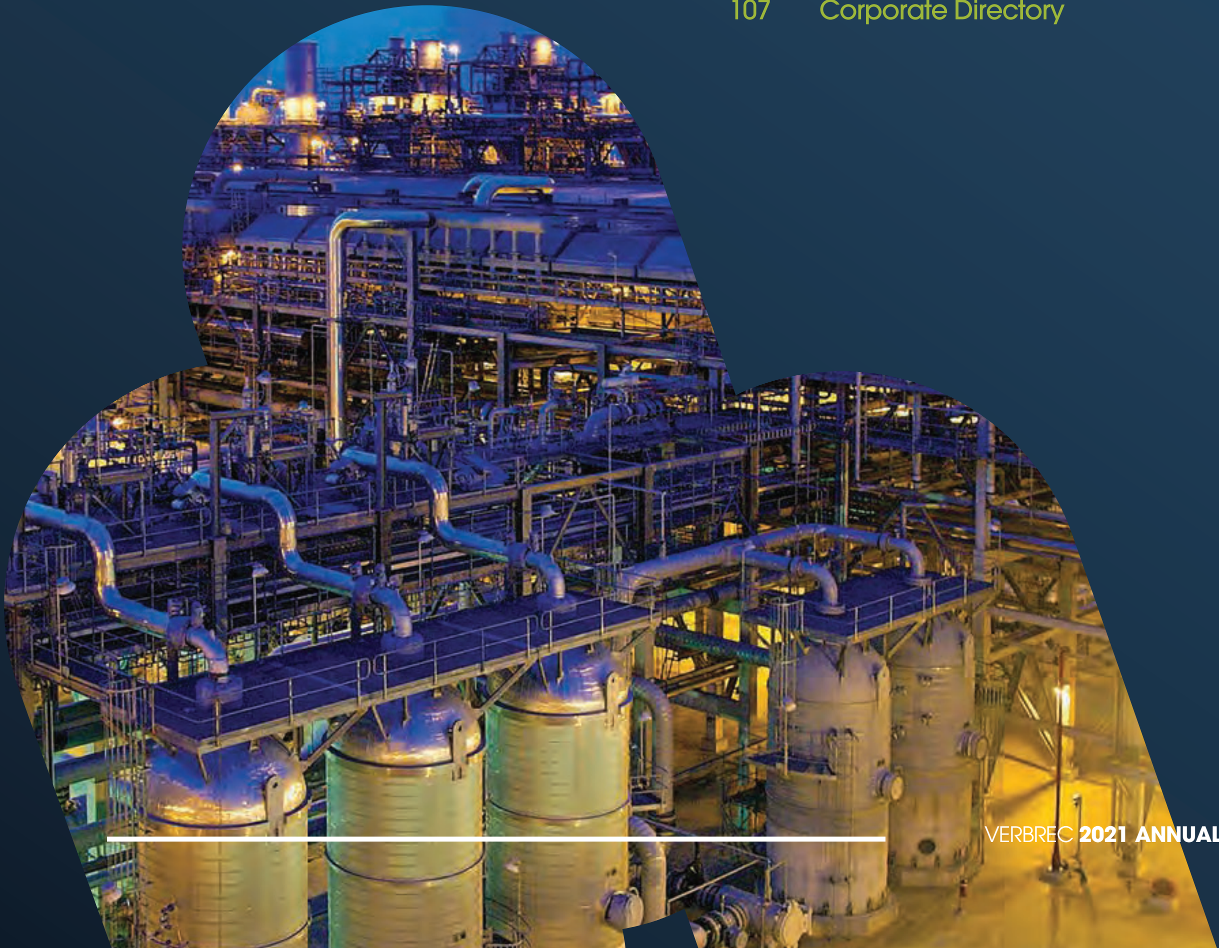

BRUCE
verbrec

Verbrec Limited
(formerly LogiCamms Limited)
ABN 90 127 897 689

Current Reporting Period
Financial Year ended 30 June 2021

Previous Corresponding Period
Financial Year ended 30 June 2020

Inside this report



Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	2021 $'000	2020 $'000 (Restated)
Revenue	4(a)	**98,312**	116,996
Cost of providing services	4(f)	**(70,572)**	(80,680)
Gross profit		**27,740**	**36,316**
Other income	4(b)	**1,563**	1,418
Gain or loss on sale of equity accounted investee	9(b)	**32**	-
Acquisition costs	4(c)	**(489)**	-
Impairment losses on investment	9(b)	**-**	(331)
Other operating expenses	4(e)	**(31,733)**	(33,741)
(Loss)/profit from operating activities		**(2,887)**	**3,662**
Finance (expense)/income	4(d)	**(388)**	(623)
Share of net profit of equity accounted investees	9(b)	**20**	23
(Loss)/profit before income tax		**(3,255)**	3,062
Income tax expense	4(g)	**(608)**	(1,244)
(Loss)/profit for the year attributable to owners of the Company		**(3,863)**	**1,818**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Foreign currency translation differences		**(10)**	**(294)**
Other comprehensive income for year, net of tax		**(10)**	**(294)**
Total comprehensive (loss)/profit for the year attributable to owners of the Company		**(3,873)**	**1,524**
Earnings per share			
Basic earnings per share (cents per share)	4(h)	**(1.9)**	0.9
Diluted earnings per share (cents per share)	4(h)	**(1.9)**	0.9

See note 3(f) for details regarding the restatement as a result of cloud-based software being expensed.

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

Consolidated Statement of Financial Position

	Notes	2021 $'000	2020 $'000 (Restated)
Assets			
Cash and cash equivalents	5(a)	**8,337**	15,930
Trade and other receivables	5(b)	**16,974**	17,142
Contract assets	5(b)	**5,769**	1,820
Current tax assets	4(g)	**39**	156
Total current assets		**31,119**	**35,048**
Investment in equity accounted investees	9(b)	**-**	68
Property, plant and equipment	6(a)	**1,540**	1,334
Right-of-Use Assets	6(b)	**4,943**	4,687
Deferred tax assets	4(g)	**6,541**	6,961
Intangible assets	6(c)	**16,030**	9,611
Total non-current assets		**29,054**	**22,661**
Total assets		**60,173**	**57,709**
Liabilities			
Trade and other payables	5(c)	**13,149**	10,353
Contract liabilities	5(d)	**2,377**	3,417
Borrowings	5(g)	**1,451**	1,537
Lease liabilities	6(b)	**2,640**	2,344
Other financial liabilities	12(ii)	**139**	-
Current tax liability	4(g)	**-**	743
Employee benefits	5(e)	**5,949**	5,004
Provisions	5(f)	**783**	1,421
Total current liabilities		**26,488**	**24,819**
Employee benefits	5(e)	**1,101**	698
Borrowings	5(g)	**694**	2,011
Lease liabilities	6(b)	**2,959**	2,805
Other financial liabilities	12(ii)	**2,120**	-
Provisions	5(f)	**676**	679
Total non-current liabilities		**7,550**	**6,193**
Total liabilities		**34,038**	**31,012**
Net assets		**26,135**	**26,697**
Equity			
Share capital	7(a)	**24,134**	21,013
Reserves	7(b)	**203**	107
Retained earnings		**1,798**	5,577
Total equity attributable to owners of the Company		**26,135**	**26,697**

See note 3(f) for details regarding the restatement as a result of cloud-based software being expensed.

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

Consolidated Statement of Changes in Equity

		Attributable to owners of Verbrec			
	Notes	Share Capital $'000	Reserves $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2019		21,013	323	3,759	25,095
Profit for the year		-	-	2,796	2,796
Other comprehensive income		-	(294)	-	(294)
Total comprehensive income for the year		-	(294)	2,796	2,502
Share based payment		-	78	-	78
Balance at 30 June 2020		21,013	107	6,555	27,675
Balance at 30 June 2020		**21,013**	**107**	**6,555**	**27,675**
Change in accounting policy [1]	3(f)	-	-	(978)	(978)
Restated total equity at 1 July 2020		**21,013**	**107**	**5,577**	**26,697**
Profit for the year		-	-	(3,863)	(3,863)
Other comprehensive income		-	(10)	-	(10)
Total comprehensive income for the year		-	**(10)**	**(3,863)**	**(3,873)**
Contributions of equity, net of transaction costs and net of tax	7(a)	2,875		-	2,875
Buy back of ordinary shares	7(a)	(148)		-	(148)
Exercise of Options	7(a)	394		-	394
Share based payment expense		-	190	-	190
Transfer of employee share option cancelled			(84)	84	-
Balance at 30 June 2021		**24,134**	**203**	**1,798**	**26,135**

1. See note 3(f) for details regarding the restatement as a result of cloud-based software being expensed.

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

Consolidated Statement of Cash Flows

	Notes	2021 $'000	2020 $'000 (Restated)
Cash flows from operating activities			
Receipts from customers (including GST)		**106,080**	140,532
Payments to suppliers and employees (including GST)		**(106,444)**	(128,996)
		(364)	11,536
Interest received		**60**	3
Interest paid		**(389)**	(626)
Transaction costs relating to acquisition		**(489)**	-
Income taxes paid		**(462)**	(317)
Net cash (outflow)/inflow from operating activities	5(a)	**(1,644)**	10,596
Cash flow from investing activities			
Dividends from Associates	9(b)	**15**	40
Proceeds from sale of equity accounted investee	9(b)	**105**	-
Proceeds from sale of property, plant and equipment		**12**	56
Payment for acquisition of subsidiary, net of cash acquired		**(4,923)**	-
Acquisition of property, plant and equipment and intangibles		**(247)**	(475)
Net cash outflow from investing activities		**(5,038)**	(379)
Cash flow from financing activities			
Share issue cost	7(a)	**(178)**	-
Payments for shares bought back	7(a)	**(148)**	-
Proceeds from issue of shares	7(a)	**3,394**	-
Proceeds from borrowings	5(g)	**1,796**	1,942
Repayment of borrowings	5(g)	**(3,199)**	(1,980)
Principal elements of lease payments		**(2,566)**	(2,301)
Net cash outflow from financing activities		**(901)**	(2,339)
Net increase in cash and cash equivalents		**(7,583)**	7,878
Cash and cash equivalents at the beginning of the year		**15,930**	8,346
Effects of exchange rate changes on cash and cash equivalents		**(10)**	(294)
Cash and cash equivalents at the end of the year	5(a)	**8,337**	15,930

See note 3(f) for details regarding the restatement as a result of cloud-based software being expensed.

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

Notes to the consolidated **financial statements**

For the year ended 30 June 2021

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 2021 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 page 20.

The financial statements were approved by the Board of Directors on 27 August 2021.

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 2020.

(b) Basis of measurement and presentation currency

The Consolidated financial statements have been prepared on the historical cost basis.
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) Key events and transactions for the period

The financial position and performance of the Group was particularly affected by the following events and transactions during the reporting period:

- The acquisition of Energy Infrastructure Management Pty Ltd (EIM) in December 2020 (see note 12)
- The acquisition of Site Skills Training Assets (SST) in April 2021 (see note 12)
- Sale of equity accounted investee – KEGS Software Pty Ltd in June 2021 (see note 9)
- Share buy-back in November 2020 and issuance of shares in April 2021 (see note 7)
- Debt financing – amendment to existing facilities finalised in August 2021.

Business Combination

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer. Acquisition-related costs are expensed as incurred.

The Group completed the legal acquisition of EIM on 31 December 2020 and the legal acquisition of the assets of SST on 12 April 2021(see note 12), which resulted in an increase in assets and liabilities (note 6(b)) and the recognition of goodwill and other intangible assets (note 6(c)).

(d) 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 – Risk – going concern

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

Note 12 – business combinations

(e) 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

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2020:

- AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material [AASB 101 and AASB 108]
- AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business [AASB 3]
- AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform [AASB 9, AASB 139 and AASB 7]

3 Significant accounting policies (continued)

(c) New and amended standards adopted (continued)

- AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet issued in Australia [AASB 1054]
- Conceptual Framework for Financial Reporting and AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework

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]

Other 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 and interpretations have been published that are not mandatory for 30 June 2021 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group 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) Changes in accounting policies

The Group previously capitalised costs incurred in configuring or customising a supplier's application software in a cloud computing arrangement as intangible assets, as the Group considered that it would benefit from those costs to implement the cloud-based software over the contract term of the cloud computing arrangement.

Following the IFRS Interpretations Committee agenda decision on Configuration or Customisation Costs in a Cloud Computing Arrangement in April 2021, the Group has reconsidered its accounting treatment and adopted the treatment set out in the IFRS IC agenda decision, which is to recognise those costs as intangible assets only if the activities create an intangible asset that the entity controls and the intangible asset meets the recognition criteria.

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.

As a result of this change in accounting policy, the Group has determined that costs totaling $1.8 million relating to the implementation of cloud-based software would need to be expensed when they were incurred, as the amounts were paid to third parties / employees of the Group who did not create separate intangible assets controlled by the Group.

3 Significant accounting policies (continued)

(f) Changes in accounting policies (continued)

The change in policy has been applied retrospectively and comparative information has been restated. This had the following impact on the amounts recognised in the financial statements. There were no costs incurred prior to FY2020 and as such, there is no impact to the opening balances of FY2020.

	Increase/(decrease) 30 June 2021 $'000	Increase/(decrease) 30 June 2020 $'000
Balance sheet		
Intangible assets	**(847)**	(978)
Deferred tax assets	**547**	-
Retained earnings	**(300)**	(978)

	Increase/(decrease) 2021 $'000	Increase/(decrease) 2020 $'000
Statement of profit or loss/Statement of comprehensive income		
Other expenses	**847**	978
Income tax expense	**(547)**	-
Profit after tax	**300**	978
Basic EPS	**(0.1)**	(0.5)
Diluted EPS	**(0.1)**	(0.5)

	Increase/(decrease) 2021 $'000	Increase/(decrease) 2020 $'000
Cash flow statement		
Cash flows from operating activities		
Payments to suppliers and employees	**847**	978
Cash flows from investing activities		
Payments to acquire intangible assets	**(847)**	(978)

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:

2021	Australia $'000	New Zealand $'000	Total $'000
Engineering services			
- Services revenue	**80,014**	**10,234**	**90,248**
Training services	**7,974**	**90**	**8,064**
Total revenue from external parties	**87,988**	**10,324**	**98,312**
Timing of revenue recognition			
Over time	**87,988**	**10,324**	**98,312**

2020	Australia $'000	New Zealand $'000	Total $'000
Engineering services			
- Services revenue	87,863	14,855	102,718
- EPC Revenue	8,626	-	8,626
Training services	5,652	-	5,652
Total revenue from external parties	102,141	14,855	116,996
Timing of revenue recognition			
Over time	102,141	14,855	116,996

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.
- 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 integrated 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.

4 Operations - results for the year (continued)

(a) Revenue (continued)

- 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

	2021 $'000	2020 $'000
Net foreign exchange gains	**30**	239
AU JobKeeper Payment *	**1,498**	585
NZ Wages subsidy *	**-**	487
Sundry income	**35**	107
	1,563	1,418

** 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.*

(c) Acquisition costs

	2021 $'000	2020 $'000
Legal expenses	**129**	-
External consultancy expenses	**46**	-
Success Fee	**100**	
Stamp Duty	**214**	-
	489	-

(d) Finance (expenses) / income - net

	2021 $'000	2020 $'000
Interest income	**60**	3
Interest and finance charges paid/payable	**(182)**	(350)
Interest paid on lease liability	**(215)**	(276)
Discounting on contingent consideration	**(51)**	-
	(388)	(623)

4 Operations - results for the year (continued)

(e) Other operating expenses

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

	2021 $'000	2020 $'000 (Restated)
Salaries and wages	**17,857**	18,962
Employment related expenses	**598**	446
General outgoings	**1,260**	1,608
Subscriptions, licenses and memberships	**2,634**	2,564
Consulting	**2,380**	2,365
Depreciation and amortisation*	**4,083**	3,891
Insurance	**1,436**	1,518
Other administrative expenses	**1,485**	2,387
	31,733	33,741

**Included in above is depreciation on Property, Plant and Equipment $0.6 million, Right-Of-Use Asset $2.6 million, and Intangible Assets $0.8 million.*

(f) Cost of Providing Services

	2021 $'000	2020 $'000
Personnel expenses	**46,573**	46,220
Contractor expenses	**8,599**	10,734
Project reimbursable expenses (including procurement)	**15,400**	23,726
	70,572	80,680

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 defined contribution superannuation scheme and receive fixed contributions from the Group. A similar arrangement (Kiwisaver) is in place for employees in New Zealand but this scheme 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. Contributions to defined contribution funds are recognised as an expense as they become payable.

4 Operations - results for the year (continued)

(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

	2021 $'000	2020 $'000 (Restated)
Current tax expense		
Current year	**-**	(824)
Deferred tax benefit/(expense)		
(Decrease)/increase in deferred tax assets	**1,956**	(923)
Decrease/(increase) in deferred tax liabilities	**(2,429)**	574
Adjustments for deferred tax of prior periods	**(135)**	(71)
Total income tax expense	**(608)**	(1,244)
Numerical reconciliation between tax expense and pre-tax accounting profit		
Profit/(Loss) before income tax	**(3,255)**	3,062
Income tax using the Company's domestic tax rate of 30% (2020 - 30%)	**977**	(1,212)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Deferred tax expense on contingent consideration	**41**	32
Non-deductible expenses	**(1,619)**	-
Sundry items	**(7)**	(64)
Total income tax benefit/ (expense)	**(608)**	(1,244)

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 recognized.

4 Operations - results for the year (continued)

(g) Taxation (continued)

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.

	2021 $'000	2020 $'000
Current tax asset		
Current tax asset	**39**	156
Current tax liability		
Current tax liability	**-**	743

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

	2021 $'000	2020 $'000
The balance comprises temporary differences attributable to:		
Lease liabilities	**1,679**	1,537
Tax losses	**4,709**	4,709
Employee benefits	**2,694**	2,133
Contract liabilities	**712**	1,013
Other deferred tax assets	**1,353**	(254)
	11,147	9,138
Set-off of deferred tax liabilities pursuant to set-off provisions	**(4,606)**	(2,177)
Net deferred tax assets	**6,541**	6,961

4 Operations - results for the year (continued)

(g) Taxation (continued)

Deferred tax assets (continued)

	Lease liabilities	Tax losses	Employee benefits	Contract liabilities	Other deferred tax assets	Total
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Movements						
At 1 July 2019	1,571	5,664	1,659	1,238	-	10,132
(Charged)/credited						
- to profit or loss	(34)	(955)	474	(225)	(183)	(923)
(Charged)/credited						-
- to reserves	-	-	-	-	(71)	(71)
At 30 June 2020	1,537	4,709	2,133	1,013	(254)	9,138
At 1 July 2020	**1,537**	**4,709**	**2,133**	**1,013**	**(254)**	**9,138**
Acquisition of						
business (note 12)	**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**

Deferred tax liabilities (1)

	2021 $'000	2020 $'000
The balance comprises temporary differences attributable to:		
Right-Of-Use Asset	**(1,481)**	**(1,412)**
Work in progress	**(1,722)**	**(533)**
Customer relationships	**(1,325)**	**(1,079)**
Other deferred tax liabilities	**(78)**	**847**
	(4,606)	**(2,177)**
Set-off of deferred tax liabilities pursuant to set-off provisions	**4,606**	**2,177**
Net deferred tax liabilities	**-**	**-**

4 Operations - results for the year (continued)

(g) Taxation (continued)

Deferred tax liabilities (continued)

	Right-Of Use Asset	Customer relationships	Work in progress	Other deferred tax liabilities	Total
		$'000	$'000	$'000	$'000
Movements					
At 1 July 2019	-	(1,249)	(1,490)	(12)	(2,751)
(Charged)/credited to profit or loss	(1,412)	170	957	859	574
At 30 June 2020	(1,412)	(1,079)	(533)	847	(2,177)
At 1 July 2020	**(1,412)**	**(1,079)**	**(533)**	**847**	**(2,177)**
Acquisition of business (note 12)	**(837)**	**(489)**	**-**	**63**	**(1,263)**
(Charged)/credited to profit or loss	**768**	**243**	**(1,189)**	**(988)**	**(1,166)**
At 30 June 2021	**(1,481)**	**(1,325)**	**(1,722)**	**(78)**	**(4,606)**

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 2021, there was a tax benefit of $8.5 million (2020: $7.4 million) relating to unused tax losses of $28.3 million (2020: $24.5 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

	2021 $'000	2020 $'000 (Restated)
Profit for the year	**(3,863)**	1,818
WANOS[1] used to calculate basic EPS (Shares)	**202,863**	200,908
WANOS[1] used to calculate diluted EPS (Shares)	**207,664**	207,438
Basic EPS (cents per share)	**(1.9)**	0.9
Diluted EPS (cents per share)	**(1.9)**	0.9

[1]Weighted average number of ordinary shares

4 Operations - results for the year (continued)

(h) Earnings per share (continued)

	2021 $'000	2020 $'000
Number of shares		
WANOS used to calculate basic EPS (Shares)	**202,863**	200,908
Effect of performance rights and options on issue	**4,801**	6,530
WANOS used to calculate diluted EPS (Shares)	**207,664**	207,438

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 is 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. Therefore, no additional disclosure in relation to the revenues, profit or loss, assets and liabilities or other management items has been made.
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:

4 Operations - results for the year (continued)

(i) Segment reporting (continued)

Revenue

	2021 $'000	2020 $'000
Engineering services	**90,248**	111,344
Training services	**8,064**	5,652
	98,312	116,996

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

	2021 $'000	2020 $'000 (Restated)
Engineering services	**877**	6,438
Training services	**339**	1,138
	1,216	7,576
EBITDA	**1,216**	7,576
Finance cost	**(388)**	(623)
Depreciation and amortisation	**(4,083)**	(3,891)
(Loss)/profit before income tax from continuing operations	**(3,255)**	3,062

Details of the Group's most significant customer revenues at 30 June 2021 are shown in the following table. The most significant single customer at 30 June 2021 is a large, publicly listed resources company.

	2021		2020	
	$'000	% of revenue	$'000	% of revenue
Most significant single customer	**10,020**	**10%**	13,354	11%
Top 10 most significant customers	**50,424**	**51%**	61,592	53%

	2021 $'000	2020 $'000 (Restated)
Non-current assets excluding deferred tax assets		
Australia	**21,983**	15,886
New Zealand	**530**	792
	22,513	16,678

4 Operations - results for the year (continued)

(j) Auditors' 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:

	2021 $	2020 $
Audit services		
Audit and review of the Company's Financial Report	**318,032**	270,192
Non-audit services		
Tax compliance services	**167,216**	155,282
Total remuneration of PwC	**485,248**	425,474

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.

	2021 $'000	2020 $'000
Cash and cash equivalents at 30 June:		
Cash at bank	**8,337**	15,930

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.

	2021 $'000	2020 $'000 (Restated)
Cash flows from operating activities		
(Loss)/profit for the year	**(3,863)**	1,818
Adjustments for:		
Depreciation & amortisation	**4,083**	3,891
Share of profits of equity accounted investee	**(20)**	(23)
(Gain)/loss on fixed assets disposal	**(5)**	781
Gain on sale of equity accounted investee	**(33)**	-
Impairment losses on investment	**-**	331
Share based payments expense	**190**	78
Interest expense on contingent consideration	**51**	-
Adjusted operating profit before changes in working capital and provisions	**403**	6,876
Change in trade and other receivables	**1,809**	7,167
Change in contract assets	**(3,988)**	3,597
Change in trade and other payables	**2,038**	(7,972)
Change in deferred tax asset	**513**	491
Change in income taxes payable	**(550)**	706
Change in contract liabilities	**(1,210)**	(1,246)
Change in provisions and employee benefits	**(659)**	977
Net cash from operating activities	**(1,644)**	10,596

5 Operations - Operating assets and liabilities (continued)

(b) Trade and other receivables

	2021 $'000	2020 $'000
Current		
Trade receivables	**15,776**	15,708
Loss allowances / Provision for impairment of receivables*	**(130)**	(130)
Prepayments and sundry debtors	**1,328**	1,564
	16,974	17,142
Contract assets	**5,769**	1,820

**The Group has applied the expected credit loss model to trade receivables and contract assets. An amount of $0.1 million (FY2020: $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 (FY2020: Nil)*

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 2021 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.

5 Operations - Operating assets and liabilities (continued)

(c) Trade and other payables

	2021 $'000	2020 $'000
Current		
Trade payables	**5,602**	3,101
GST payable	**1,010**	1,885
Accrued expenses	**5,059**	4,674
Sundry creditors	**1,478**	693
	13,149	10,353

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

	2021 $'000	2020 $'000
Contract liabilities	**2,377**	3,417

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.

(e) Employee benefits

	2021			2020 Restated		
	Current $'000	Non-current $'000	Total $'000	Current $'000	Non-current $'000	Total $'000
Leave obligations	**5,949**	**1,101**	**7,050**	5,004	698	5,702

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.

5 Operations - Operating assets and liabilities (continued)

(f) Provisions

	2021			2020		
	Current $'000	Non-current $'000	Total $'000	Current $'000	Non-current $'000	Total $'000
Bonus provision	**256**	**-**	**256**	740	-	740
Make good provision	**-**	**676**	**676**	-	679	679
Service warranties	**233**	**-**	**233**	198	-	198
Restructuring/ Redundancy costs	**294**	**-**	**294**	483	-	483
Total	**783**	**676**	**1,459**	1,421	679	2,100

The movement in provisions for the period is shown below:

	Bonus provision $'000	Make good provision $'000	Service warranties $'000	Restructuring/ Redundancy costs $'000	Total $'000
Carrying amount at 1 July 2020	740	679	198	483	2,100
Acquisition of business (note 12)	-	443	-	294	737
Credited to profit or loss					
addition provisions recognised	457	9	48	-	514
unused amounts reversed	(200)	(366)	(13)	(365)	(944)
Amounts used during the year	(741)	(89)	-	(118)	(948)
Carrying amount at 30 June 2021	**256**	**676**	**233**	**294**	**1,459**

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 usually recognised at the commencement of a project based on risks identified during the planning stage. Projects are subsequently reviewed periodically to ensure provisions remain sufficient. A full reassessment is performed at each reporting date, 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

	2021			2020		
	Current $'000	Non-current $'000	Total $'000	Current $'000	Non-current $'000	Total $'000
Secured						
Bank loans	**1,200**	**600**	**1,800**	1,200	1,800	3,000
Equipment loans	**251**	**94**	**345**	337	211	548
Total borrowings	**1,451**	**694**	**2,145**	1,537	2,011	3,548

Movements in borrowings

The movement in borrowings for the period is shown below:

	Bank loans $'000	Equipment finance loan $'000	Insurance premium funding $'000	Total $'000
Carrying amount at the start of the year	3,000	548	-	3,548
Additional borrowings	-	538	1,258	1,796
Repayments during the year	(1,200)	(741)	(1,258)	(3,199)
Carrying amount at end of year	**1,800**	**345**	**-**	**2,145**

(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 renewed its facilities signed with NAB in FY2019, extending the expiry date of the multi option facility to 30 June 2023. The new facility was contingent upon a $3.3 million reduction to the NAB Corporate Markets Loan balance of $6 million at the time of the merger. The NAB Corporate Markets Loan quarterly repayment schedule of $0.3 million was revised with the 1st amortization payment in December 2020 and the last payment in December 2022. All other facilities except the NAB Corporate Markets Loan are subject to annual review with the next review to take place in March 2022.

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. During the year, the Group forecasted a breach of the SOL covenant in the June month. The Group obtained a waiver from the bank.

5 Operations - Operating assets and liabilities (continued)

(g) Borrowings (continued)

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

Facility	Limit a 30 June 2021	Amount utilised	Amount available
NAB Multi-option Facility	$12.00 million	$7.09 million	$4.91 million
Corporate Markets Loan	$1.80 million	$1.80 million	-
Bank Guarantee Facility	$8.70 million	$5.29 million	$3.41 million
Business Overdraft	$1.50 million	-	$1.50 million
Total	$12.00 million	$7.09 million	$4.91 million
NAB Corporate and Purchasing Card	$0.30 million	$0.15 million	$0.15 million
NAB Revolving Lease Limit	$1.50 million	$0.35 million	$1.15 million

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

(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. Refer to note 5(g)*(i)* for detail.

(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.

5 Operations - Operating assets and liabilities (continued)

(g) Borrowings (continued)

Net debt reconciliation

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

	2021 $'000	2020 $'000
Net debt		
Cash and cash equivalents	**8,337**	15,930
Lease liabilities – repayable within one year	**(2,640)**	(2,344)
Lease liabilities – repayable after one year	**(2,959)**	(2,805)
Borrowings – repayable within one year	**(1,451)**	(1,537)
Borrowings – repayable after one year	**(694)**	(2,011)
	593	7,233
Cash and cash equivalents	**8,337**	15,930
Lease liabilities	**(5,599)**	(5,149)
Gross debt – fixed interest rates	**(345)**	(548)
Gross debt – variable interest rates	**(1,800)**	(3,000)
	593	7,233

	Other assets	Liabilities from financing activities				
	Cash $'000	Bank loans $'000	Equipment finance loan $'000	Insurance premium funding $'000	Lease liabilities $'000	Total $'000
At 1 July 2019	8,346	(3,000)	(668)	(58)	-	4,620
Cash flows	7,584	-	11	1,278	2,301	11,174
Insurance premium finance	-	-	-	(1,252)	-	(1,252)
Lease liabilities	-	-	-	-	(7,309)	(7,309)
Reclassify to lease liabilities	-	-	109	32	(141)	-
At 30 June 2020	15,930	(3,000)	(548)	-	(5,149)	7,233
At 1 July 2020	**15,930**	**(3,000)**	**(548)**	**-**	**(5,149)**	**7,233**
Cash flows	**(7,593)**	**1,200**	**203**	**1,258**	**2,567**	**(2,365)**
Insurance premium finance	**-**	**-**	**-**	**(1,258)**	**-**	**(1,258)**
Acquisition of business (note 12)	**-**	**-**	**-**	**-**	**(3,017)**	**(3,017)**
At 30 June 2021	**8,337**	**(1,800)**	**(345)**	**-**	**(5,599)**	**593**

6 Non-operating assets

(a) Property, plant and equipment

	Plant and equipment $'000	Motor vehicles $'000	Total $'000
As at 1 July 2019			
Cost	4,693	614	5,307
Accumulated depreciation	(2,371)	(372)	(2,743)
Net book amount	2,322	242	2,564
Year Ended 30 June 2020			
Opening net book amount	2,322	242	2,564
Additions	389	57	446
Disposals	(631)	(110)	(741)
Depreciation charge	(878)	(57)	(935)
Closing net book amount	1,202	132	1,334
As at 30 June 2020			
Cost	4,451	561	5,012
Accumulated depreciation	(3,249)	(429)	(3,678)
Net book amount	1,202	132	1,334
Year Ended 30 June 2021			
Opening net book amount	**1,202**	**132**	**1,334**
Additions	**267**	**19**	**286**
Acquisition of business (note 12)	**493**	**106**	**599**
Disposals	**(19)**	**(21)**	**(40)**
Transfer	**(20)**	**-**	**(20)**
Depreciation charge	**(613)**	**(6)**	**(619)**
Closing net book amount	**1,310**	**230**	**1,540**
At 30 June 2021			
Cost	**10,461**	**2,038**	**12,499**
Accumulated depreciation	**(9,151)**	**(1,808)**	**(10,959)**
Net book amount	**1,310**	**230**	**1,540**

6 Non-operating assets (continued)

(a) Property, plant and equipment (continued)

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
Building fit out costs 4 - 7 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:

	2021 $'000	2020 $'000
Right-of-use assets		
Properties	**4,812**	4,654
Equipment	**131**	33
	4,943	4,687
Lease liabilities		
Current	**2,640**	2,344
Non-current	**2,959**	2,805
	5,599	5,149

6 Non-operating assets (continued)

(b) Leases (continued)

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

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

	2021 $'000	2020 $'000
Depreciation charge of right-of-use assets		
Properties	**2,625**	2,322
Equipment	**19**	8
	2,644	2,330
Interest expense (included in finance cost)	**252**	276
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	**445**	379

The total cash outflow for leases in 2021 was $2.6 million (2020: $2.3 million).

(iii) Right-of-use assets movement

	Properties $'000	Equipment $'000	Total $'000
At 01 July 2019			
Cost and net book amount	7,031	41	7,072
Year Ended 30 June 2020			
Opening net book amount	7,031	41	7,072
Disposals	(55)	-	(55)
Depreciation charge	(2,322)	(8)	(2,330)
Closing net book amount	4,654	33	4,687
At 30 June 2020			
Cost	6,976	41	7,017
Accumulated depreciation	(2,322)	(8)	(2,330)
Net book amount	4,654	33	4,687
Year Ended 30 June 2021			
Opening net book amount	**4,654**	**33**	**4,687**
Additions	**-**	**36**	**36**
Acquisition of business (note 12)	**2,783**	**81**	**2,864**
Depreciation charge	**(2,625)**	**(19)**	**(2,644)**
Closing net book amount	**4,812**	**131**	**4,943**
At 30 June 2021			
Cost	**11,133**	**158**	**11,291**
Accumulated depreciation	**(6,321)**	**(27)**	**(6,348)**
Net book amount	**4,812**	**131**	**4,943**

(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, e.g. 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.

6 Non-operating assets (continued)

(b) Leases (continued)

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

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. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

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.

6 Non-operating assets (continued)

(c) Intangible assets

	Goodwill $'000	Application Software $'000	Development Costs $'000	Brand Names $'000	Customer Contracts $'000	Total $'000
As at 1 July 2019						
Cost	5,990	424	138	-	4,164	10,716
Accumulated amortisation	-	(374)	(134)	-	-	(508)
Net book amount	5,990	50	4	-	4,164	10,208
Year Ended 30 June 2020						
Opening net book amount	5,990	50	4	-	4,164	10,208
Additions	-	30	978	-	-	1,008
Amortisation charge	-	(30)	(3)	-	(594)	(627)
Closing net book amount	5,990	50	979	-	3,570	10,589
As at 30 June 2020						
Cost	5,990	454	1,116	-	4,164	11,724
Accumulated amortisation	-	(404)	(137)	-	(594)	(1,135)
Net book amount (previously reported)	5,990	50	979	-	3,570	10,589
Change in accounting policy (note 3)	-	-	(978)	-	-	(978)
Net book amount (restated)	5,990	50	1	-	3,570	9,611
Year Ended 30 June 2021						
Opening net book amount	**5,990**	**50**	**1**	**-**	**3,570**	**9,611**
Additions	**-**	**52**	**24**	**-**	**-**	**76**
Acquisition of business (note 12)	**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**
At 30 June 2021						
Cost	**11,500**	**1,011**	**161**	**343**	**5,418**	**18,433**
Accumulated amortisation	**-**	**(925)**	**(136)**	**(9)**	**(1,333)**	**(2,403)**
Net book amount	**11,500**	**86**	**25**	**334**	**4,085**	**16,030**

6 Non-operating assets (continued)

(c) Intangible assets (continued)

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 (see note 12 for details). 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.

(d) Intangible assets (continued)

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 2019	200,795		21,013
Ordinary shares issued 28 November 2019	192	$0.00	-
Balance 30 June 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**
On issue at 30 June 2021 - fully paid	**220,415**		**24,259**
Less: Transaction costs arising on share issues	**-**		**(178)**
Deferred tax credit recognised directly in equity	**-**		**53**
Balance 30 June 2021			**24,134**

(b) Reserves – Movement in Reserves

	Share based payments reserve $'000	Foreign currency reserve $'000	Total $'000
Opening balance 1 July 2020	446	(339)	107
Amount expensed during the year	190	-	190
Transfer to Retained Earnings	(84)	-	(84)
Foreign Currency Translation Reserve movement	-	(10)	(10)
Closing balance 30 June 2021	**552**	**(349)**	**203**

7 Capital and reserves (continued)

(b) Reserves - Movements in reserves (continued)

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	2021 $'000	2020 $'000
Current Year Interim	**-**	-
Previous Year Final	**-**	-
	-	-

Franking credits	2021 $'000	2020 $'000
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2020 – 30%)	**5,680**	2,263

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.

8 Risk (continued)

(b) Financial risk management (continued)

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

	2021 $'000	2020 $'000
Trade receivables (net of provision for impairment)	**15,646**	15,578
Sundry debtors and prepayments	**1,328**	1,564
Contract assets (net of provision for impairment)	**5,769**	1,820
	22,743	18,962
Cash and cash equivalents	**8,337**	15,930
	31,080	34,892

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.

8 Risk (continued)

(b) Financial risk management (continued)

Credit risks related to trade receivables and contract assets (continued)

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 2021 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 (excluding loss allowances) by geographic region is as follows.

	2021 $'000	2020 $'000
Australia	**21,431**	17,423
New Zealand	**1,442**	1,669
	22,873	19,092

Details of the Group's most significant customer receivable balances at 30 June 2021 are shown in the following table. The most significant single customer at 30 June 2021 is a large, tier 1 resources company.

	Carrying amount 2021 $'000	% of trade receivables 2021	Carrying amount 2020 $'000	% of trade receivables 2020
Most significant single customer	**2,288**	**15%**	943	6%
Top ten most significant customers	**6,343**	**41%**	4,879	31%

8 Risk (continued)

(b) Financial risk management (continued)

Credit risk (continued)

Impairment losses

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

	2021 $'000	2020 $'000
Opening loss allowance as at 1 July	**130**	226
Increase in loss allowance recognised in profit and loss during the year	**-**	50
Receivables written off during the year as uncollectible	**-**	(125)
Unused amount reversed	**-**	(21)
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.

8 Risk (continued)

(b) Financial risk management (continued)

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:

	Carrying amount $'000	Contractual cash flows $'000	Less than 1 year $'000	More than 1 year $'000
Balance at 30 June 2021				
Financial liabilities				
Trade payables	**13,149**	**13,149**	**13,149**	**-**
Borrowings (excluding finance leases)	**2,145**	**2,145**	**1,451**	**694**
Lease liabilities	**5,599**	**5,599**	**2,640**	**2,959**
Other financial liabilities	**2,259**	**2,259**	**139**	**2,120**
	23,152	**23,152**	**17,379**	**5,773**
Balance at 30 June 2020				
Financial liabilities				
Trade payables	10,354	10,354	10,354	-
Borrowings (excluding finance leases)	3,000	3,012	1,212	1,800
Lease liabilities	5,149	5,149	2,344	2,805
	18,503	18,515	13,910	4,605

Financing arrangements

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

	30 June 2021 $'000	30 June 2020 $'000
Bank overdraft	**1,500**	1,500
Bank guarantee	**3,410**	1,163
	4,910	2,663

As at 30 June 2021, the Group had utilised a total of $7.1 million of the $12.0 million limit of its Multi-Option Facility with NAB and $0.35 million of the $1.5 million limit of its equipment finance facility. In August 2021, $1.5 million was reallocated from the bank guarantee to the bank overdraft facility.

8 Risk (continued)

(b) Financial risk management (continued)

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.

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:

	30 June 2021 $'000	30 June 2020 $'000
Variable rate instruments		
Financial assets	**8,337**	15,930
Financial liabilities	**(1,800)**	(3,000)
	6,537	12,930
Fixed rate instruments		
Financial liabilities	**-**	-

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% (2020: 2%) has been selected as this is considered reasonably possible. The Directors cannot, nor do they seek, to predict movements in interest rates.

	2021 $'000	2020 $'000
Effect on profit before tax increase/(decrease)		
If interest rates were 2% higher (2020: 2%)	**11**	11
If interest rates were 2% lower (2020: 2%)	**(11)**	(11)
Effect on profit after tax increase/(decrease)		
If interest rates were 2% higher (2020: 2%)	**8**	8
If interest rates were 2% lower (2020: 2%)	**(8)**	(8)
Effect on shareholders' equity increase/(decrease)		
If interest rates were 2% higher (2020: 2%)	**8**	8
If interest rates were 2% lower (2020: 2%)	**(8)**	(8)

(b) Financial risk management (continued)

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 2021 due to the short-term nature of these financial assets and liabilities.

The Group has no financial instruments carried at fair value and therefore has not disclosed the fair value hierarchy.

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 $12.0 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 $1.5 million (currently utilised $0.35 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 FY2021 of $3.9 million (2020: profit of $1.8 million) and operating cash outflows of $1.6 million (2020: inflow of $10.6 million). As at 30 June 2021 cash on hand was $8.3 million (2020: $15.9 million) and borrowings under the capital markets loan totalled $1.8 million (2020: $3.0 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 2021, this facility had a limit of $12.0 million, split $1.8 million to a corporate market loan used to re-finance term debt and has an expiry date of the 30 June 2023, $8.7 million to a bank guarantee facility, and $1.5 million overdraft facility to assist with short-term working capital requirements. The Group also had a revolving lease facility with a limit of $1.5 million. Amortisation of the corporate market loan will increase headroom in the bank guarantee facility by an equal amount maintaining the overall facility limit at $12.0 million.

Available headroom in the overdraft facility at 30 June 2021 was $1.5 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 2021, the Group had used $5.3 million in bank guarantees facility limit. The Group believes that the $3.4 million headroom available under the NAB Bank Guarantee facility as at June 2021 is sufficient to meet the future bank guarantee requirements of any currently identified projects or proposals. Amounts amortised under the corporate markets loan are available for redraw under the bank guarantee facility.

During August 2021, the Group renegotiated its Multi-Option Facility with its bank. The outcomes of the negotiations include:

- A temporary $1.5 million increase 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 (a 3-month rolling Senior Operating Leverage ("SOL") calculation instead of a 12-month rolling calculation) to the SOL covenant calculation from September 2021 onwards.

Financial position and basis of preparation

At 30 June 2021 the Group had $8.3 million of cash on hand and undrawn overdraft facilities of $1.5 million. As noted, at 30 June 2021 the Group recorded an operating loss of $2.9 million, recorded a net operating cash outflow of $1.6 million and has total current borrowings of $1.5 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 $4.9 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.

8 Risk (continued)

(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.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The identified Cash Generating Unit's ("CGU") for the Group are the Training Services and Engineering Services CGU's.

Inputs to impairment calculations

The Group tests whether goodwill has suffered any impairment on an annual basis. For the 2021 and 2020 reporting periods, the recoverable amount of the CGUs was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management and approved by the board for the period ending June 2022.

Expected future profits are based on projected revenues and EBITDA margins utilising the FY2022 budget which reflects the expected performance of the Group for that period and which considers current market conditions and expected performance of current projects. Revenues are projected for the five-year forecast beyond FY2022 based on market sector growth rates. The projected EBITDA margins over the five-year beyond FY2022 are then adjusted back to the historical average over a two-year period.

Cash flow projections beyond the five-year period, which are based on Group estimates, take into consideration historical performance as well as expected long term operating conditions. Growth rates do not materially exceed the consensus forecasts of the long-term average growth rate for the market sector in which the CGUs operates.

8 Risk (continued)

(c) Impairment (continued)

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 Value-In-Use calculation uses cash flow projections based on the Group's corporate plans and business forecasts prepared by management and approved by the Board. The corporate plans are developed annually and, on the understanding, that actual outcomes may differ from the assumptions used. For these calculations, adjustments are incorporated for the relevant industry metrics. In the circumstances that the CGU is unable to achieve the forecast growth in earnings, there is a risk that the carrying value of the two CGUs (engineering and training) would exceed its recoverable amount.

Goodwill

Goodwill is monitored by management at a CGU level, being Engineering and Competency training. A summary of the goodwill allocated to each of Engineering services and Training services, along with the basis in which that goodwill arises, is presented below:

	Engineering Services '000	Training Services '000	Total '000
Opening balance 1 July 2020	2,163	3,827	5,990
Addition during the year	1,967	3,543	5,510
Closing balance 30 June 2021	**4,130**	**7,370**	**11,500**

Impairment calculations

Assets are impaired if their carrying value exceeds their recoverable amount. The recoverable amount of an asset or CGU is determined as the higher of its fair value less costs of disposal or Value-In-Use.

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:

- A pre-tax discount rate (16.35%), post-tax discount rate (11.45%) applied to the cash flows,
- expected future profits for the first year based on the Board approved budget for 2022,
- revenue over the five-year forecast based on expected sector revenue growth rates of between 2% and 5% on the Engineering services and Training services CGU respectively,
- EBITDA margins for the five-year forecast of between 5- 9% and 19%- 23% on the Engineering services and Training services CGU respectively, and
- terminal growth rate of revenue of 2% beyond 2026.

Impairment charge

Following the impairment assessment, the goodwill is supported, and no impairment is required.

9 Corporate and Group

(a) Group entities

Parent and ultimate controlling entity

The Group's principal subsidiaries at 30 June 2021 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 2021 %	2020 %
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	-
StacksOn IP Pty Ltd	ACN 646 392 430	Australia	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

9 Corporate and Group (continued)

(a) Group entities (continued)

Parent entity disclosures

	2021 $'000	2020 $'000
Result of the parent entity – Verbrec Limited		
(Loss) and comprehensive income for the year	**(544)**	(4,537)
Financial position of parent entity at year end		
Current assets	**5,167**	14,256
Total assets	**34,335**	33,544
Current liabilities	**(20,827)**	(9,250)
Total liabilities	**(21,467)**	(24,429)
Net assets	**12,868**	9,115
Total equity of the parent entity comprising of		
Share capital	**93,431**	26,554
Reserves	**552**	3,509
Accumulated losses	**(81,115)**	(20,948)
	12,868	9,115

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.

9 Corporate and Group (continued)

(b) Equity accounted investees (associate)

Name of entity	Country of incorporation	Ownership 2021	Ownership 2020
KEGS Software Pty Ltd ("KEGS")	Australia	**30%**	30%

	2021 $'000	2020 $'000
Current assets	**-**	80
Non-current assets	**-**	1
Total assets	**-**	81
Current liabilities	**-**	-
Total liabilities	**-**	-
Net assets	**-**	81
Group's share of net assets	**-**	24
Revenues	**126**	169
Expenses	**(61)**	(92)
Profit	**65**	77
Group share of profit	**20**	23

Movement in Investment in associate	2021 $'000	2020 $'000
Opening Balance as at 1 July	**68**	416
Earnings from investment	**20**	23
Dividends from investment	**(15)**	(40)
Sale of equity accounted investee (*)	**(73)**	-
Closing Balance as at 30 June	**-**	399
Less: Impairment charge	**-**	(331)
	-	68

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

9 Corporate and Group (continued)

(b) Equity accounted investees (associate) (continued)

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:

	2021 $	2020 $
Short-term employee benefits	**1,718,556**	2,385,839
Post-employment benefits	**73,822**	103,347
Termination benefits	**597,139**	590,124
Non-monetary benefits	**4,736**	8,804
Share-based payments	**169,081**	77,820
	2,563,334	3,165,934

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.
2,768,750 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.

9 Corporate and Group (continued)

(c) Related parties (continued)

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 2021 financial year (2020: 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

Upon the resignation of Chris O'Neill on 28 September 2020, a total of 1,750,000 unvested performance rights that were issued to Mr O'Neill under a previous performance rights plan lapsed due to cessation of employment.

On 27 November and 22 December 2020, a total of 3,738,848 performance rights were issued to the Executive Leadership Team under a new plan that was approved by the Company's Shareholders at the Annual General Meeting held on 27 November 2020. Mr Linton Burns received 1,968,750 performance rights and Mr Michael Casey received 800,000 performance rights as part of this issue. The key terms of the issue are as follows:

Term

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

Grant date	Vesting date	Grant date value
27/11/2020	30/06/2021	$0.055
21/12/2020	30/06/2021	$0.076

Measurement Period

The Measurement Period for all Rights outlined in this Invitation is from the commencement of FY21 to the completion of FY23 i.e. three financial years.

Service Condition

Continued service with the Group up to the Vesting Date is not a requirement for Rights to become eligible to vest. 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 ESP to the Final EPS over the term of the Measurement period.
EPS is calculate using normal accounting protocols

10 Share-based payments (continued)

Earnings Per Share Growth (EPSG) Vesting Condition (continued)

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; 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.

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

Performance Rights	Outstanding at 1 July 2020	Granted	Forfeited or Cancelled	Vested	Outstanding at 30 June 2021
Issued on 26 November 2018	1,750,000	-	(1,750,000)	-	-
Issued on 27 November 2020	-	1,968,750	-	-	1,968,750
Issued on 21 December 2020	-	1,770,098	-	-	1,770,098
	1,750,000	3,738,848	(1,750,000)	-	3,738,848

11 Unrecognised items

(a) Subsequent events

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

(b) Contingent liabilities

	2021 $'000	2020 $'000
Bank guarantees on issue	**5,290**	5,337

The Group did not have any other contingent liabilities as at 30 June 2021 (30 June 2020: $nil).

12 Business combination

(i) Energy Infrastructure Management Pty Ltd ("EIM")

(a) Summary of acquisition

On 29 December 2020, Verbrec announced that it had signed a binding agreement for the legal acquisition of 100% of the shares on issue in EIM and upon successful completion of the conditions precedent, the acquisition was completed on 31 December 2020.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	$'000
Purchase consideration	
Cash paid	10,058
Working Capital adjustment	(109)
	9,949

The provisional assets and liabilities recognised as a result of the acquisition are as follows:	Fair Value ($'000)
Cash and cash equivalents	6,826
Trade and other receivables	1,779
Current tax assets	76
Property, plant and equipment	238
Right-of-Use Assets	72
Deferred tax assets	275
Intangible assets	711
Trade and other payables	(421)
Employee benefits	(927)
Provisions	(379)
Lease liabilities	(55)
Deferred tax Liability	(213)
Net identifiable assets acquired	7,982
Add: goodwill	1,967
Net assets acquired	**9,949**

The goodwill is attributable mainly to the skills and technical talent of the workforce, EIM's Pipeline Operation systems and synergies expected to be achieved from integrating the company into the Group's existing business. It will not be deductible for tax purposes.

(b) Purchase consideration – cash outflow

	2021 $'000	2020 $'000
Outflow of cash to acquire subsidiary, net of cash acquired		
Cash consideration	9,949	-
Less: Cash acquired	(6,826)	-
Net outflow of cash – investing activities	3,123	-

Acquisition-related costs

Acquisition-related costs of $0.18 million that are included in administrative expenses in the statement of profit or loss and in operating cash flows in the statement of cash flows.

12 Business combination (continued)

(ii) Site Skills Training Assets (SST)

(a) Summary of acquisition

On 26 February 2021, Verbrec announced that it had signed a binding agreement for the legal acquisition of all operational assets of SST. The transaction received approval from the Verbrec board at a meeting of the board of directors held on 26 February 2021 and, upon successful completion of the conditions precedent, the acquisition was completed on 12 April 2021.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	$'000
Purchase consideration	
Cash paid	1,439
Contingent consideration	2,464
Total purchase consideration	3,903

The provisional assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value ($'000)
Trade and other receivables	106
Property, plant and equipment	361
Right-of-Use Assets	2,792
Deferred tax assets	1,088
Intangible assets	921
Trade and other payables	(229)
Employee benefits	(308)
Provisions	(358)
Lease liabilities	(2,962)
Deferred tax Liability	(1,051)
Net identifiable assets acquired	360
Add: goodwill	3,543
Net assets acquired	3,903

The goodwill is attributable mainly to the skills and technical talent of SST's workforce and the synergies expected to be achieved from integrating the company into Group's existing business. It will not be deductible for tax purposes.

Contingent consideration

In the event that certain pre-determined sales volumes are achieved by SST for the year ended 30 June 2022 and 30 June 2023, contingent consideration of $1.0 million and $1.5 million will be payable in cash in September 2022 and September 2023 respectively. In addition, a further $0.5 million will be payable upon satisfaction of the conditions subsequent as per the Asset Sale Agreement, of which $0.36 million was paid in May 2021. The remaining $0.14 million is anticipated to occur in first quarter of FY 2022. As at 30 June 2021, the present value of contingent consideration includes $0.1 million in other financial liabilities – current and $2.1 million in other financial liabilities – non-current.

12 Business Combination (continued)

(ii) Site Skills Training Assets (SST) (continued)

(b) Purchase consideration – cash outflow

	2021 $'000	2020 $'000
Outflow of cash to acquire subsidiary, net of cash acquired		
Cash consideration	1,439	-
Less: Cash acquired	-	-
Net outflow of cash – investing activities	1,439	-

Acquisition-related costs

Acquisition-related costs of $0.30 million that were not directly attributable to the issue of shares are included in administrative expenses in the statement of profit or loss and in operating cash flows in the statement of cash flows.

There were no acquisitions in the year ending 30 June 2020.

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. This includes the newly acquired entity EIM and StacksOn IP Pty Ltd.
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:

Name	**Australian Company Number**
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'.

13 Deed of Cross Guarantee (continued)

(2) Group Entities (continued)

Consolidated statement of profit or loss, statement of comprehensive income and summary of movements in consolidated retained earnings

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 2021 of the closed group.

Consolidated statement of profit or loss and other comprehensive income	2021 $'000	2020 $'000
Revenue	**87,975**	103,724
Cost of providing services	**(63,925)**	(72,868)
Other income	**1,261**	764
Impairment losses on investment	**-**	(331)
Other operating expenses	**(28,306)**	(30,171)
Finance (expense)/income	**(690)**	(609)
Share of net profit of equity accounted investees	**20**	23
(Loss)/profit before income tax	**(3,665)**	**532**
Income tax expense	**(504)**	(415)
(Loss)/profit for the year	**(4,169)**	**117**
Other comprehensive income for year, net of tax	**24**	(818)
Total comprehensive (loss)/profit for the year	**(4,145)**	**(701)**

Summary of movements in consolidated retained earnings	2021 $'000	2020 $'000
Retained earnings at the beginning of the financial year	**(3,926)**	**(4,043)**
Net (loss)/profit for the year	(4,169)	117
Retained earnings at the end of the financial year	**(8,095)**	**(3,926)**

13 Deed of Cross Guarantee (continued)

(2) Group Entities (continued)

Consolidated balance sheet

Set out below is a consolidated balance sheet as at 30 June 2021 of the closed group.

	2021 $'000	2020 $'000
Current assets		
Cash and cash equivalents	**7,787**	13,964
Trade and other receivables	**14,504**	16,564
Contract assets	**5,357**	1,674
Current tax assets	**30**	138
Total current assets	**27,678**	32,340
Non-current assets		
Investment in equity accounted investees	**-**	68
Property, plant and equipment	**1,351**	1,074
Right-of-Use Assets	**4,898**	4,484
Deferred tax assets	**6,607**	6,864
Intangible assets	**16,030**	9,340
Total non-current assets	**28,886**	21,830
Total assets	**56,564**	54,170
Current liabilities		
Trade and other payables	**20,096**	18,368
Contract liabilities	**2,330**	3,417
Borrowings	**1,451**	1,537
Lease liabilities	**2,621**	2,146
Other financial liabilities	**1,035**	-
Current tax liability	**-**	(2)
Employee benefits	**5,543**	5,192
Provisions	**782**	1,303
Total current liabilities	**33,858**	31,961
Non-current liabilities		
Employee benefits	**1,101**	124
Borrowings	**694**	2,011
Lease liabilities	**2,934**	2,791
Other financial liabilities	**1,224**	-
Provisions	**676**	679
Total non-current liabilities	**6,629**	5,605
Total liabilities	**40,487**	37,566
Net assets	**16,077**	16,604
Equity		
Share capital	**24,001**	20,879
Reserves	**171**	(349)
Retained earnings	**(8,095)**	(3,926)
Total equity	**16,077**	16,604

Directors' Declaration

In the directors' opinion:

(a) the consolidated financial statements and notes set out on pages 39 to 94 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 2021 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 comply 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

Phillip Campbell

Brisbane
27 August 2021

Independent auditor's report

To the members of Verbrec Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Verbrec Limited (the Company) and its controlled entities (together 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 2021 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2021
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

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

Independence

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 & 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.

PricewaterhouseCoopers, ABN 52 780 433 757
480 Queen Street, BRISBANE QLD 4000, GPO Box 150, BRISBANE QLD 4001
T: +61 7 3257 5000, F: +61 7 3257 5999, www.pwc.com.au

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

Materiality	*Audit scope*	*Key audit matters*
• For the purpose of our audit we used overall Group materiality of $0.98m, which represents approximately 1% of the Group's total revenues. • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. • We chose Group revenue because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. • We utilised a 1% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.	• Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.	• Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: – Basis of preparation of the financial report – Recoverability of goodwill and other intangible assets – Accounting for business combinations – Contract management: Revenue recognition, recoverability of receivables and related financial statement disclosures • These are further described in the *Key audit matters* section of our report.

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 for the current period. The key audit 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. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	*How our audit addressed the key audit matter*
Basis of preparation of the financial report *(Refer to note 8(b) and 5(g))*	
As described in Note 8(b) to the financial report, the financial statements have been prepared by the Group 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. In FY2021, the Group recorded an operating loss of $3.9m and a net operating cash outflow of $1.6m. In addition, the Group has a Multi-Option working capital and bank guarantee facility of which $7.1m has been used at balance sheet date (refer to note 5(g)). Under the facility, the Group is subject to covenants, one of which is the Operating Leverage to EBITDA ratio (operating leverage covenant). The Group's bank has agreed to waive the operating leverage covenant in respect of the rolling 12-month period to 30 June 2021. To support the basis of preparation, the Group prepared a detailed cash flow forecast for the next 12 months from the date of the financial report which shows an improvement in operating cash flows. Subsequent to year end, a review of the banking facility was undertaken by the Group's bank resulting in a formal amendment being agreed and signed in August 2021. The amendments include a temporary revision in the operating leverage covenant, a temporary increase in the Group's overdraft limit and a deferral of the next facility repayment that is due in September 2021 by 6 months. Assessing the appropriateness of the Group's basis of preparation for the financial report was a key audit matter due to its importance to the financial report and the level of judgement involved in assessing future funding and operational status, in particular	In assessing the appropriateness of the Group's going concern basis of preparation for the financial report, we performed the following procedures, amongst others: • evaluated the appropriateness of the Group's assessment of their ability to continue as a going concern, including whether the level of analysis is appropriate given the nature of the Group, the period covered is at least 12 months from the date of our auditor's report and relevant information of which we are aware as a result of the audit has been included. • enquired of management and the Board of Directors as to their knowledge of events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. • evaluated the Group's plans for future actions (including confirmation of continued support from third parties, where applicable), whether the outcome is likely to improve the situation and whether they are feasible in the circumstances. • evaluated selected data and assumptions used in the Group's cash flow forecasts for at least 12 months from the date of signing the auditor's report. • read the terms associated with the Group's debt agreement and the amendment agreed and signed in August 2021 and assessed the amount of the facility available for drawdown over the forecast period.

pwc

with respect to the Group forecasting future cash flows for a period of at least 12 months from the audit report date (cash flow forecasts).	• confirmed that the Group's cash flow forecasts were not showing any expected breaches of the relevant bank covenants, including the revised operating leverage covenant. • requested written representations from management and the board of directors regarding their plans for future action and the feasibility of these plans. • evaluated whether, in view of the requirements of Australian Accounting Standards, the financial report provides adequate disclosures about these events or conditions.

Recoverability of goodwill and other intangible assets
(Refer to note 6(c) and 8(c))

At 30 June 2021, the Group has recognised $16.0m of intangible assets which included $11.5m of goodwill and $4.1m of customer contract assets.

These assets are allocated to each of the Group's two cash generating units (CGUs), being Engineering Services and Training Services.

The recoverable amounts of the CGUs have been estimated using value in use (VIU) methodology utilising a discounted cash flow model.

In estimating the recoverable amounts, the Group has made the following key judgements:

- Cashflows in FY22 derived from the board approved budget;
- Revenue growth of 2% and 5% for the years FY23-FY26 for the Engineering Services and Training Services CGUs respectively;
- EBITDA margins of 5-9% and 19-23% for the years FY23-FY26 for the Engineering Services and Training Services CGUs respectively;
- A terminal value growth rate of 2.0% and the pre-tax discount rate of 16.35%.

Given the judgements incorporated by the Group and the financial significance of the goodwill recognised on the Group's consolidated statement of financial position, the assessment of the recoverability of

To evaluate the Group's assessment of the recoverable amount of the CGUs, we performed a number of procedures including the following:

- Assessed whether the division of the Group's assets into CGUs was consistent with our knowledge of the Group's operations and internal Group reporting.
- Assessed whether the carrying value of the CGUs included all assets and liabilities directly attributable to the CGU and that the model included all cash flows directly attributable to the CGU and a reasonable allocation of corporate overheads.
- Evaluated the Group's historical ability to forecast future cash flows by comparing budgets with reported prior years' actual results.
- Tested that forecast cash flows used in the models were derived from the final budget formally approved by the Board.
- Evaluated the appropriateness of the judgements made by the Group in relation to key customers' current and future contractual arrangements.

goodwill in relation to the CGUs is considered to be a key audit matter.	• Assessed, with assistance from PwC valuation experts:
	  ○ the forecast terminal value growth rate of 2.0% by comparing it to economic forecasts;
	  ○ that the discount rate applied in the model reflects the risks of the CGUs; and
	  ○ the mathematical accuracy of the model.
	• Evaluated 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.
	• Evaluated the adequacy and completeness of the financial statement disclosures made in Note 8(c) including those regarding the key assumptions and sensitivities to changes in such assumptions, in light of the requirements of Australian Accounting Standards.

Accounting for business combinations *(Refer to note 12)*	

During the year, the Group completed the provisional purchase price allocation (PPA) assessments relating to the acquisition of 100% of the shares in Engineering Infrastructure Management Pty Ltd (EIM) and the acquisition of the operating assets of Site Skills Group Pty Ltd (SST).
 	
The provisional accounting of the business combinations has resulted in the recognition of goodwill of $2.0m and $3.5m respectively. The Group was assisted by an external valuation expert in this process.
 	
The key areas of judgement in the PPA assessments included, amongst others:
• The value of the contingent consideration liability recognised at acquisition date in relation to the SST acquisition, and the subsequent remeasurement of the liability at 30 June 2021;
• The fair value of the acquired assets and liabilities recognised at the respective acquisition dates, including separately identified intangible assets.
	In assessing the accounting for the business combinations, we performed the following procedures, amongst others:
	• evaluated the Group's accounting against the requirements of Australian Accounting Standards, key transaction agreements, our understanding of the business acquired and its industry, selected minutes of the board of directors' meetings, and selected documents evaluating the transactions.
	• assessed the fair values of the acquired assets and liabilities recognised, including:
	  ○ considering key assumptions used in the models (the models) that estimated fair value in light of historical performance and industry forecasts
	  ○ considering the valuation methodology in the models in light of the requirements of Australian Accounting Standards
	  ○ assessing the competence and capability of management's expert

Given the significance of the acquisitions with reference to the total consideration of $13.9m, and degree of judgement and estimation involved in determining the fair values of the assets and liabilities recognised in the financial report, the accounting for the business combinations is considered to be a key audit matter	• considered the adequacy of the business combination disclosures in light of the requirements of Australian Accounting Standards. In relation to the valuation of the contingent consideration, we performed the following procedures, amongst others: • assessed if the calculation of the contingent consideration was in accordance with the contractual arrangements and the requirements of Australian Accounting Standards • assessed the Group's evaluation of whether the conditions required for the contingent consideration to be paid were likely to be met in the future based upon the CGU's actual performance since acquisition, current Group forecasts and market forecasts.
Contract management: Revenue recognition, recoverability of receivables and related financial statement disclosures *(Refer to note 4(a) and 5(b))* The Group enters into various types of contracts, including fixed price contracts, cost reimbursable contracts, capped cost reimbursable contracts and mixed contracts. For certain types of contracts, including fixed price contracts, revenue is recognised with reference to the progress towards complete satisfaction of those services. The recognition and presentation of revenue and recoverability of receivables was determined to be a key audit matter due to: • the financial significance of the revenue balance recognised in the Group's consolidated statement of profit or loss and other comprehensive income; • the judgemental nature of the progress towards complete satisfaction of the services provided across the Group's revenue streams; • the degree of judgement and estimation required in determining expected credit losses for trade receivables and contract assets; and	We performed the following audit procedures for the Group's significant revenue streams, amongst others: • Obtained an understanding and evaluated processes over the Group's contract establishment and project management procedures related to revenue recognition, trade receivables and contract assets. • For a sample of transactions, obtained the relevant contracts and compared the revenue, contract assets and contract liabilities recognised with the contract terms. • Obtained a sample of significant contracts to identify the potential risk factors including warranty claim arrangements, penalty and incentive clauses, and contingent liabilities. • For a sample of invoices, agreed the invoiced amount to the cash receipt in the relevant bank statement. • Recalculated the progress towards complete satisfaction of the services provided for a sample of contracts and projects and

- the additional disclosure considerations as required by AASB 15 *Revenue from customers*, AASB 9 *Financial Instruments* and AASB 7 *Financial Instruments: Disclosures*.

compared this to the percentage used by the Group when recognising revenue.

- For a sample of contracts, evaluated contract performance in the period post year end to audit report date to assess the year end revenue recognition judgements with respect to cost to complete.
- Assessed the completeness of the Group's expected credit loss provision by assessing the aging of receivables and contract asset balances to identify areas of higher risk, for example long aged items or those that have been disputed.
- For a sample of debtor balances, assessed the subsequent receipts of cash post year end to audit report date to verify the existence of the debtor at balance sheet date.
- Evaluated the adequacy of the disclosures made in the financial report in light of the requirements of Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 the 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:
https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 26 to 34 of the directors' report for the year ended 30 June 2021.

In our opinion, the remuneration report of Verbrec Limited for the year ended 30 June 2021 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.

PricewaterhouseCoopers

PricewaterhouseCoopers

Michael Crowe

Michael Crowe
Partner

Brisbane
27 August 2021

ASX **Information**

Information is correct as at 13 August 2021.

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	42,786,349	19.41
Bos Holdings Australia Pty Ltd <The Bos Family A/C>	29,701,738	13.48
GFNA Bartley Family Pty Ltd <Gfna Bartley Family A/C>	18,260,477	8.28
J P Morgan Nominees Australia Pty Limited	15,873,725	7.20
Thorney Holdings Pty Ltd	12,904,412	5.85
UBS Nominees Pty Ltd	11,805,161	5.36
Bloemhof Pty Ltd	7,075,384	3.21
Candyblossom Pty Ltd <Mirimin Investments A/C>	7,075,384	3.21
HSF SMSF Pty Ltd <Horstmann Super A/C>	6,019,985	2.73
Bos Australia Super Pty Ltd <The Bos Super Fund A/C>	4,615,000	2.09
Giffard Services Pty Ltd	4,249,093	1.93
Mr Andrew Keith Horstmann + Mrs Jenny Ann Horstmann <Jockey Family A/C>	3,400,000	1.54
Mr Linton Wayne Paul Burns + Mrs Suzanne Mary Byrne <Burns Family A/C>	2,995,611	1.36
Noramary Consultancy Services Pty Ltd <The Noramary Superannuation Fund A/C>	2,000,000	0.91
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
Mr Andrew John Weldon Smith + Ms Suzanne Elizabeth Smith + Ms Julia Yvonne Mustard <A&S Smith Family A/C>	1,099,320	0.50
Total	**177,293,375**	**80.44**
Balance of Register	43,120,522	19.56
Grand Total	**220,413,897**	**100.00**

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	77,103,087	34.98
Thorney Holdings Pty Ltd and TIGA Trading Pty Ltd	24,709,573	11.21
GFNA Bartley Family Pty Ltd	18,260,477	8.28
Forager Funds Management Pty Ltd	14,293,724	6.48
Candyblossom Pty Ltd and Bloemhof Pty Ltd	14,150,768	6.42
Total	**148,517,629**	**67.38**
Balance of Register	71,896,268	32.62
Grand Total	**220,413,897**	**100.00**

Distribution Ranges

Ordinary Shares

Range	Total Holders	Units	% of Units
100,001 and over	120	204,922,075	92.97
10,001 – 100,000	377	12,962,846	5.88
5,001 – 10,000	215	1,744,112	0.79
1,001 – 5,000	207	767,088	0.35
1 – 1,000	67	17,776	0.01
Total	**986**	**220,413,897**	**100.00**

There were 125 holders of unmarketable parcels of less than $500.

Unlisted Performance Rights

Range	Total Holders	Units	% of Units
100,001 and over	7	3,380,282	90.41
10,001 – 100,000	4	358,566	9.59
5,001 – 10,000	–	–	–
1,001 – 5,000	–	–	–
1 – 1,000	–	–	–
Total	11	3,738,848	100.00

Unlisted Options

Range	Total Holders	Units	% of Units
100,001 and over	1	1,062,273	100.00
10,001 – 100,000	–	–	–
5,001 – 10,000	–	–	–
1,001 – 5,000	–	–	–
1 – 1,000	–	–	–
Total	1	1,062,273	100.00

Voluntary Escrow

Nil.

Buy Back

The Company completed a minimal holdings buy back of small shareholdings (667 holders totalling 957,360 shares) on 29 October 2020.

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

Company Secretary
Andrew Ritter

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
PricewaterhouseCoopers
480 Queen Street
Brisbane QLD 4000

Solicitor
Jones Day
123 Eagle Street
Brisbane QLD 4000

Bankers
National Australia Bank Limited
259 Queen Street
Brisbane QLD 4000

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

Website
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/

verbrec
evolution engineered

Verbrec Limited
(formerly LogiCamms Limited)
ABN 90 127 897 689