



veris

Veris Limited
31 December 2019
Interim Financial Report

DEVELOP
WITH _____
CONFIDENCE™

For personal use only

Contents

Directors' report	3
Condensed consolidated interim financial statements	8
Condensed consolidated statement of financial position	8
Condensed consolidated statement of profit or loss and comprehensive income	9
Condensed consolidated statement of changes in equity	10
Condensed consolidated statement of cash flows	11
Basis of Preparation	12
Notes to the condensed consolidated interim financial statements	14
Directors' declaration	25
Independent auditor's report on review of condensed consolidated interim financial	26
Lead auditor's independence declaration	28
Corporate information	29

DIRECTORS' REPORT

The directors of Veris Limited (the "Company" or "Veris") present their report together with the consolidated financial statements of the group comprising Veris Limited and its controlled entities (together referred to as "the Group"), for the six months ended 31 December 2019 and the independent review report thereon.

DIRECTORS

The directors of the Company at any time during or since the end of the interim period are:

Name	Role	Period of Directorship
Non-executive		
Karl Paganin	Independent Non-Executive Chairman	Appointed 25 November 2019
	Independent Non-Executive Director	Appointed 19 October 2015
Derek La Ferla	Independent Non-Executive Chairman	Retired 25 November 2019
Tom Lawrence	Independent Non-Executive Director	Appointed 13 October 2011
Brian Elton	Independent Non-Executive Director	Appointed 29 March 2018
Executive		
Adam Lamond	Executive Director	Appointed 13 October 2011

Karl Paganin | Independent Non-Executive Chairman

Mr Paganin has over 15 years senior experience in Investment Banking, specialising in transaction structuring, equity capital markets, mergers and acquisitions and strategic management advice to listed companies. Mr Paganin was a Director of Major Projects and Senior Legal Counsel for Heytesbury Pty Ltd (the private trading company of the Holmes à Court Family) which was the proprietor of John Holland Group Pty Ltd. Mr Paganin holds degrees in Law (B.Juris, LLB) and Arts (BA) from the University of Western Australia and is a Non-Executive Director of ASX listed Southern Cross Electrical Engineering Limited.

Special Responsibilities

Chairman of the Nomination and Remuneration Committee
 Member of the Audit and Risk Committee
 Member of the OHS Committee

Other Listed Company Directorships in last 3 years

Southern Cross Electrical Engineering Ltd (June 2015 – current)
 Poseidon Nickel Limited (1 October 2018 – current)

Interests in Securities

9,189,350 fully paid ordinary shares

For personal use only

DIRECTORS' REPORT (continued)**Derek La Ferla | Independent Non-Executive Chairman – Retired 25 November 2019**

Mr Derek La Ferla has 30 years' experience as a corporate lawyer and company director. During his role as Non-Executive Chairman of Veris, he was a chairman of ASX listed companies Sandfire Resources NL and Threat Protect Australia Limited, and deputy chairman of BNK Banking Corporation Limited. Mr La Ferla is also a member of the WA Council for the Australian Institute of Company Directors and a member of its National Board. Mr La Ferla has held senior positions with some of Australia's leading law firms, and is currently a partner with Western Australian firm, Lavan, in the firm's Corporate Services Group.

Special Responsibilities

Member of the Nomination and Remuneration Committee
Member of the Audit and Risk Committee

Other Listed Company Directorships in last 3 years

Sandfire Resources Limited (May 2010 – Current)
Threat Protect Australia Limited (September 2015 – Current)
BNK Banking Corporation Limited (November 2015 – 30 August 2019)

Interests in Securities

598,417 fully paid ordinary shares (at time of retirement)

Adam Lamond | Executive Director

Mr Lamond has over 20 years' commercial experience with particular expertise in construction and infrastructure activities across Australia. Mr Lamond held the position of Chief Executive Officer of OTOC Limited from its listing in October 2011 to January 2014. Mr Lamond held the role of Executive Director – Business Development from January 2014 to March 2017, when he was appointed Managing Director. During this time Mr Lamond led the Company into its new strategic direction and diversification and has continued an active role within the Company throughout, supporting the evolution of the national surveying strategy and continued growth across infrastructure, property and resource markets throughout Australia.

Special Responsibilities

Member of the OHS Committee

Interests in Securities

46,091,815 fully paid ordinary shares

Tom Lawrence | Independent Non-Executive Director

Mr Lawrence is a qualified accountant with a Bachelor of Laws and a Masters Degree in taxation. Mr Lawrence was the principal of Lawrence Business Management for over 15 years, providing tax and management advice to a diverse range of businesses. He now works as a solicitor for Capital Legal, advising clients on a broad range of business related transactions.

Special Responsibilities

Chairman of the Audit and Risk Committee
Member of the Nomination and Remuneration Committee
Member of the OHS Committee

Interests in Securities

8,136,093 fully paid ordinary shares

DIRECTORS' REPORT (continued)

Brian Elton – Non-Executive Director

Brian Elton has over 40 years of experience in urban and regional planning in the UK and Australia focussing on urban strategy, urban policy and governance and the delivery of major projects. Mr Elton has expertise in the areas of strategic communications and engagement, housing, social planning and is a highly regarded strategic advisor to public and private sectors organisations and to not-for-profit groups. He has held senior executive positions in local and State Government and founded Elton Consulting in 1989. Mr Elton was appointed Executive Director on 29 March 2018 when Elton Consulting Pty Ltd was acquired by the Company.

Mr Elton has been involved in some of Australia's largest urban renewal, major infrastructure and city-making projects and in ground breaking urban policy reforms. He is passionate about sustainable urbanism.

Mr Elton is a Fellow of the Planning Institute of Australia and a Member of the Australian Institute of Company Directors. His affiliations include the International Association of Public Participation, Green Building Council of Australia and the Urban Development Institute of Australia.

Special Responsibilities

Member of the Audit and Risk Committee
Member of the OHS Committee

Interests in Securities

14,835,733 fully paid ordinary shares

PRINCIPAL ACTIVITIES

Veris Limited is the Group's holding company that is listed on the ASX under the code VRS.

Veris Limited had two operating segments in the 2020 financial year namely Veris Australia and Aqura Technologies (Elton Consulting Pty Ltd was part of the group until sold on 21 November 2019).

Veris Australia

Veris Australia is a professional surveying business specialising in survey, digital, spatial and planning solutions. Across Australia the business has over 500 professionals working to deliver high value projects across the property, resources, infrastructure and government industries. Veris combines innovative technologies with some of Australia's best survey experience to deliver an integrated approach to the full project life cycle, from initial planning and feasibility through to construction and asset maintenance.

Aqura Technologies

Aqura Technologies offers a broad suite of communications solutions which are enablers of high-performance teams, applications and systems in modern, digitally driven organisations. Our solutions include Industrial Wireless (WiFi & 4G LTE), Content Access Networks and Unified Communications. Aqura has an extensive, Australian-based team of highly experienced in-house specialists that span technology, engineering, project management, project delivery and support. Aqura Technologies is a wholly-owned subsidiary of Veris Limited.

DIRECTORS' REPORT (continued)**REVIEW OF OPERATIONS**

Veris' revenue from continued operations during the period ended 31 December 2019 was \$50,459,000; down from \$53,886,000 in the prior corresponding period. Veris Australia revenue decreased from \$47,491,000 to \$40,067,000 whilst Aqura Technologies revenue was \$10,433,000 up from \$6,483,000 in the prior corresponding period.

Veris' EBITDA* was \$1,552,000 for the period (1H FY19: \$1,842,000).

Veris Australia EBITDA was \$2,709,000 (1H FY19: \$2,512,000) being an 8% increase on the prior corresponding half.

Aqura Technologies achieved EBITDA of \$664,000 for the period (1H FY19: \$1,096,000).

During the period the Group sold Elton Consulting Pty Ltd using the proceeds for a significant reduction in net debt allowing the company to focus on growth opportunities within its core business Veris Australia. The sale resulted in a loss of \$3.6 million. Elton Consulting contributed \$7,851,000 of revenue up from \$9,701,000 in the prior corresponding period on an annualised basis and achieved EBITDA of \$988,000 for the period (1H FY19:\$1,431,000).

* EBITDA is defined as earnings before depreciation, amortisation, interest, tax, impairment, restructuring, share-based payments, discontinued operations and acquisition costs and is an unaudited non-IFRS measure

DIRECTORS' REPORT (continued)

EBITDA is a non-IFRS measure that in the opinion of Veris provides useful information to assess the financial performance of the Group. A reconciliation between statutory results and underlying results is provided below. The non-IFRS measure is unaudited:

For the six months ended:

	31 Dec 2019 \$000	31 Dec 2018 \$000
Total comprehensive income/(loss) for the period	(16,392)	(36,388)
Add back:		
Tax (benefit)/expense	7,009	(1,327)
Net finance expense	1,082	663
Restructuring costs	544	688
Acquisition costs/ (reversals)	(141)	64
Impairment of Intangibles	-	34,431
Share-based payment	25	83
EBIT profit/ (loss)	(7,873)	(1,786)
Depreciation	4,888	2,441
Amortisation	1,254	1,654
Discontinued Operations (profit)/ loss	3,283	(467)
EBITDA from Continuing Operations	1,552	1,842

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 28 and forms part of the directors' report for the six months ended 31 December 2019.

ROUNDING OFF

The Company is of a kind referred to in ASIC Instrument 2016/191 and in accordance with that Instrument, amounts in the condensed consolidated interim financial statements and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the directors:



Karl Paganin

Chairman

Dated at Perth this 27 day of February 2020

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 Dec 2019 \$000	30 Jun 2019 \$000
Assets			
Current assets			
Cash and cash equivalents		3,150	3,685
Trade and other receivables		16,197	25,864
Work in progress		7,494	8,280
Other current assets		4,349	3,039
Total current assets		31,190	40,868
Non-current assets			
Plant and equipment		29,760	13,551
Intangible assets		4,214	19,190
Deferred tax asset		2,058	8,913
Total non-current assets		36,032	41,654
Total assets		67,222	82,522
Liabilities			
Current Liabilities			
Trade and other payables		14,206	18,765
Deferred vendor payments		2,739	3,554
Loans and borrowings	6	11,077	3,356
Employee benefits		7,789	9,176
Current tax liability		534	534
Total current liabilities		36,345	35,385
Non-current liabilities			
Loans and borrowings	6	19,013	18,403
Provisions		630	-
Employee benefits		901	1,640
Total non-current liabilities		20,544	20,043
Total liabilities		56,889	55,428
Net assets		10,333	27,094
Equity			
Share capital		43,191	43,051
Share based payment reserve	3	2,440	2,949
Retained earnings/ accumulated losses		(35,298)	(18,906)
Total equity		10,333	27,094

The notes on pages 12 to 24 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

For the six months ended 31 December 2019

	Note	2019 \$000	2018 \$000 Restated*
Continuing operations			
Revenue		50,459	53,886
Expenses		(48,907)	(52,044)
		1,552	1,842
Depreciation		(4,888)	(2,441)
Amortisation		(1,254)	(1,654)
Acquisition related cost		141	(64)
Restructuring costs		(544)	(688)
Impairment of Intangibles		-	(34,431)
Share-based payment		(25)	(83)
Results from operating activities		(5,018)	(37,519)
Finance income		-	1
Finance costs		(1,082)	(664)
Net finance costs		(1,082)	(663)
Profit/ (loss) before income tax		(6,100)	(38,182)
Income tax benefit/ (expense)	4	(7,009)	1,327
Profit/ (loss) from continuing operations		(13,109)	(36,855)
Discontinued operation			
Profit/ (loss) from discontinued operations, net of tax	7	(3,283)	467
Profit/ (loss) for the period		(16,392)	(36,388)
Total comprehensive income/ (loss) for the period		(16,392)	(36,388)
Earnings (loss) per share			
Basic earnings/ (loss) cents per share		(4.40)	(10.27)
Diluted earnings/ (loss) cents per share		(4.40)	(10.27)
Earnings (loss) per share from continuing operations			
Basic earnings/ (loss) cents per share		(3.51)	(10.55)
Diluted earnings/ (loss) cents per share		(3.51)	(10.55)

The notes on pages 12 to 24 are an integral part of these condensed consolidated interim financial statements.

*Comparative information has been re-presented due to Discontinued Operation, refer Note 7.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2019

	Note	Share Capital \$000	Share Based Payment Reserve \$000	Retained Earnings/ (Accumulated losses) \$000	Total Equity \$000
Balance at 1 July 2019		43,051	2,949	(18,906)	27,094
Total comprehensive loss for the period					
Loss for the period		-	-	(16,392)	(16,392)
Total comprehensive loss for the period		-	-	(16,392)	(16,392)
Transactions with owners of the Company, recognised directly in equity					
Issue of ordinary shares (net of costs)		140	-	-	140
Dividends paid		-	-	-	-
Share-based payment transactions	3	-	(509)	-	(509)
Total transactions with owners of the Company		140	(509)	-	(369)
Balance at 31 December 2019		43,191	2,440	(35,298)	10,333

For the six months ended 31 December 2018

	Note	Share Capital \$000	Share Based Payment Reserve \$000	Retained Earnings/ (Accumulated losses) \$000	Total Equity \$000
Balance at 1 July 2018		40,887	2,349	24,967	68,203
Adjustment on initial application of AASB 9		-	-	(651)	(651)
Adjustment on initial application of AASB 15		-	-	(546)	(546)
Adjusted balance at 1 July 2018		40,887	2,349	23,770	67,006
Total comprehensive loss for the period					
Loss for the period		-	-	(36,388)	(36,388)
Total comprehensive loss for the period		-	-	(36,388)	(36,388)
Transactions with owners of the Company, recognised directly in equity					
Issue of ordinary shares (net of costs)		1,753	-	-	1,753
Dividends paid		-	-	(1,770)	(1,770)
Share-based payment transactions	3	-	35	-	35
Total transactions with owners of the Company		1,753	35	(1,770)	18
Balance at 31 December 2018		42,640	2,384	(14,388)	30,636

The notes on pages 12 to 24 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2019

	<i>Note</i>	2019 \$000	2018 \$000
Cash flows from operating activities			
Receipts from customers		68,926	77,861
Payments to suppliers and employees		(66,783)	(69,797)
Cash generated from/ (used in) operations		2,143	8,064
Interest paid		(1,074)	(680)
Interest received		-	2
Net cash from/ (used in) operating activities		1,069	7,386
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		98	381
Purchase of property, plant and equipment		(1,236)	(1,878)
Deferred vendor payment		(1,330)	(1,415)
Disposal of subsidiaries		12,299	-
Acquisition of subsidiaries net of cash acquired		-	266
Net cash from/ (used in) investing activities		9,831	(2,646)
Cash flows from financing activities			
Repayment of borrowings and lease liabilities		(11,435)	(3,384)
Net cash (used in) from financing activities		(11,435)	(3,384)
Net increase in cash and cash equivalents		(535)	1,356
Cash and cash equivalents at 1 July		3,685	5,588
Cash and cash equivalents at 31 December		3,150	6,944

The notes on pages 12 to 24 are an integral part of these condensed consolidated interim financial statements.

BASIS OF PREPARATION

REPORTING ENTITY

Veris Limited (the “Company” or “Veris”) is a for-profit company domiciled in Australia. The condensed consolidated interim financial statements of the Company as at and for the six months ended 31 December 2019 comprises the Company and its subsidiaries (together referred to as the “Group”). The Group is a diversified survey solutions and communications company.

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2019 are available upon request from the Company’s registered office at Level 12, 3 Hasler Road Osborne Park WA 6017 or at www.Veris.com.au

GOING CONCERN

For the half year ended 31 December 2019, the Group recorded a loss from continuing operations before income tax of (\$6,100,000). The Group’s net cash flow from operating activities was \$1,069,000 with a net current liability position of \$4,963,000.

During the half year the Group disposed of Elton Consulting Pty Ltd subsidiary for \$13,000,000 cash consideration (\$500,000 due in the second half of the 30 June 2020 financial year), of which \$7,965,000 was used to pay down external debt.

The company holds several funding facilities, including a cash advance facility, which was utilised to \$5,665,000 as at 31 December 2019. These facilities are subject to quarterly EBITDA target covenants. Following 31 December 2019, the Company agreed revised EBITDA covenant measures with its primary bankers for the remainder of the FY20 financial year and reduced its overall debt facilities limits by \$9,050,000 to \$22,450,000 (including the cash advance facility, overdraft facility and asset funding facility) to reinforce Veris’s focus on strengthening the balance sheet and reflecting the forecast use of the facilities in the near term. The Board of Directors have approved a 12 month cash flow forecast that indicates the company will be able to meet working capital requirements and covenant requirements. These forecasts rely on the successful contracting and execution of projects as planned and a focus on costs. If the actual results do not meet forecast and existing quarterly covenant requirements at 31 March 2020 and 30 June 2020, the Company will seek a waiver or renegotiate covenant terms in accordance with the facility agreements.

Following 30 June 2020, the Company is required to submit forecasts and agree EBITDA target covenants through to the end of the existing facility at 1 January 2021.

Prior to the expiration of the term of these facilities at 1 January 2021, it is management’s intention to renegotiate the facility beyond this period.

Should the 31 March 2020 and 30 June 2020 quarterly EBITDA covenant measures, the agreement of forecasts beyond 30 June 2020 or renegotiation of the facilities by 1 January 2021, not be met or agreed with the company’s bankers the company will pursue other funding alternatives to support the ongoing requirements of the business.

For these reasons the Directors continue to adopt the going concern basis in preparing these financial statements.

BASIS OF PREPARATION (CONTINUED)

STATEMENT OF COMPLIANCE

The condensed consolidated interim financial statements are general purpose financial statements prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001, and with IAS 34 *Interim Financial Reporting*.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 30 June 2019. The consolidated interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated annual financial statements of the Group as at and for the year ended 30 June 2019.

These condensed consolidated interim financial statements were approved by the Board of Directors on 27 February 2020.

JUDGEMENTS AND ESTIMATES

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2019.

SIGNIFICANT ACCOUNTING POLICIES

This is the first set of the Group's financial statements in which AASB 16 Leases has been applied. These changes have been described in Note 8. With the exception of the adoption of AASB 16, the accounting policies applied by the Group in the condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 30 June 2019.

NOTES

1. OPERATING SEGMENTS

The Group has two reportable segments and the services they provide are:

- Veris Australia – examine and record the features of a piece of land or infrastructure in order to create maps, plans, detailed descriptions and to facilitate construction
- Aqura Technologies – provides specialised ICT and Communications services

Information regarding the results of each reporting segment is detailed below for the six months ended 31 December.

Information about reportable segments

	Veris Australia		Aqura Technologies		Total*	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Revenues	40,067	47,491	10,433	6,483	50,500	53,974
Inter-segment revenues	(13)	(86)	(28)	(2)	(41)	(88)
External revenues	40,054	47,405	10,405	6,481	50,459	53,886
Costs	(37,358)	(44,979)	(9,769)	(5,387)	(47,127)	(50,366)
Inter-segment costs	13	86	28	2	41	88
External costs	(37,345)	(44,893)	(9,741)	(5,385)	47,086	(50,278)
EBITDA**	2,709	2,512	664	1,096	3,373	3,608
Depreciation	(4,335)	(2,358)	(160)	(77)	(4,495)	(2,435)
Amortisation	(1,254)	(1,654)	-	-	(1,254)	(1,654)
EBIT*** for reportable segments	(2,880)	(1,500)	504	1,019	(2,376)	(481)
	Dec 2019 \$000	June 2019 \$000	Dec 2019 \$000	June 2019 \$000	Dec 2019 \$000	June 2019 \$000
Segment assets	53,088	45,648	6,181	6,605	59,269	52,253
Segment liabilities	(34,360)	(29,093)	(6,448)	(7,380)	(40,808)	(36,473)

*Prior period amounts have been re-presented to exclude discontinued operations, refer note 7

**EBITDA is defined as earnings before depreciation, amortisation, interest, tax, impairment, restructuring, share-based payments and acquisition costs.

***EBIT is defined as earnings before interest, tax, impairment, restructuring, discontinued operations, share-based payments and acquisition costs.

1. OPERATING SEGMENTS (CONTINUED)

RECONCILIATIONS OF REPORTABLE SEGMENT REVENUES, PROFIT OR LOSS, ASSETS AND LIABILITIES

	2019 \$000	2018 \$000
Revenues		
Total revenue for reportable segments	50,500	53,974
Elimination of inter-segment revenue	(41)	(88)
Consolidated revenue	50,459	53,886
Expenses		
Total expenses for reportable segments	47,127	50,366
Elimination of inter-segment costs	(41)	(88)
Unallocated amounts - other corporate expenses	1,821	1,766
Consolidated expenses	48,907	52,044
Profit/(loss)		
EBIT for reportable segments	(2,376)	(481)
Impairment of Goodwill*	-	(34,431)
Unallocated amounts (including corporate expenses)	(2,239)	(1,855)
Acquisition related (costs)/income	141	(64)
Restructuring costs	(544)	(688)
Net finance costs	(1,082)	(663)
Profit/(loss) before income taxes	(6,100)	(38,182)
Assets		
Total assets for reportable segments	59,269	52,253
Other unallocated amounts	7,953	30,269
Consolidated total assets	67,222	82,522
Liabilities		
Total liabilities for reportable segments	40,808	36,473
Other unallocated amounts	16,081	18,955
Consolidated total liabilities	56,889	55,428

*Impairment of Goodwill relates to the Surveying businesses acquired

2. FINANCIAL INSTRUMENTS

The Group has negotiated new payment terms with its primary banker for the remainder of the FY20 financial year. With the exception of this change the Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 30 June 2019.

3. SHARE-BASED PAYMENTS

As at 31 December 2019, the Group had the following share-based payment arrangements.

(i) 2017 Performance Rights Plan

On 5 June 2017, the Group granted further Performance Rights to eligible employees under the Group's Long Term Incentive Plan in respect of the three financial years 30 June 2017 to 30 June 2019. Subject to continued employment and achievement of financial performance hurdles absolute total shareholder return and absolute earnings per share growth), the Performance Rights will vest as follows:

Number of Performance Rights granted	Vesting Date ^(A)	Lapsed	Vested during the Period ^(B)	Vesting Hurdles			
				50% TSR ^(C)		50% 3 Year Absolute EPS Pooling ^(D)	
828,848	1 July 2019	-	828,848	<100%	Nil	< 6 c	Nil
				100% < 180%	Pro-rata vesting between 25% and 100%	>6- <6.5 c	pro rata vesting between 25%-100%
828,848		-	828,848	180%	100%	6.5 c >	100%

^(A) On vesting, Performance Rights will automatically convert to ordinary shares on a one for one basis. Performance Rights that do not vest will lapse. An unvested Performance Right will lapse upon the earlier to occur of:

- i. failure to satisfy the applicable vesting conditions;
- ii. the holder purporting to transfer the Performance Right otherwise than with the consent of the Board or by force of law;
- iii. the employment of the holder ceasing, where such a condition was imposed on the grant of the Performance Right;
- iv. in the opinion of the Board, the holder commits any fraudulent or dishonest act or is in breach of his or her obligations to the Company or subsidiary;
- v. the expiry date; or
- vi. the seven year anniversary of the date of grant of the Performance Rights.

^(B) During the period, 828,848 Performance Rights vested on cessation of employment.

^(C) Performance of management measured against an absolute shareholder return target of VRS

^(D) Performance management measured against a normalised EPS pooled approach setting an aggregate value of dollars of EPS that must be achieved over the three years (i.e. a pool consisting of year 1 EPS plus year 2 EPS plus year 3 EPS)

3. SHARE-BASED PAYMENTS (CONTINUED)

(ii) 2019 Performance Rights Plan

DIRECTORS & KMP'S

On 20 December 2018, the Group granted Performance Rights to the Managing Director, Adam Lamond and Executive Director, Brian Elton and on 12 April 2019, the Group granted Performance Rights to Key management Personnel under the Group's new Veris combined Incentive Plan ("VIP") relating to financial years 30 June 2019 to 30 June 2022 based on the achievement KPIs outlined in the below Balanced Scorecard:

Balanced Scorecard and Weightings			
Financial	Market	Individual	Values
Budgeted EBITDA (14%)	Absolute EPS (19%)	KPI's (20%)	Behaviours (5%)

On the basis that the Balanced Scorecard was achieved, 50% will be paid in cash and 50% in equity by way of issue of Performance Rights, of which 60% would have vested based on achievement of a 3 year absolute TSR hurdle and 40% would have vested in a future period in time, depending on continued employment for 4 years post issue (33% year 2; 33% year 3, 33% year 4). The Balanced Scorecard was not achieved for the FY19 year and all Performance Rights have lapsed. The absolute TSR hurdle is outlined in the below table:

Number of Performance Rights granted	Vesting Date (A)	Lapsed	Vested during the Period (B)	Vesting Hurdles*			
				60% TSR (C)		40% 3 Year Retention (D)	
354,392	1 July 2019	-	354,392	<75%	Nil	Yr 2	1/3
				75% < 120%	Pro-rata vesting between 25% and 100%	Yr 3	1/3
354,392		-	354,392	120%	100%	Yr 4	1/3

* Safety must be maintained at all times and no LTI's will vest in the instance of a major safety breach such as a serious injury or fatality

- (A) On vesting, Performance Rights will automatically convert to ordinary shares on a one for one basis. Performance Rights that do not vest will lapse. An unvested Performance Right will lapse upon the earlier to occur of:
- vii. failure to satisfy the applicable vesting conditions;
 - viii. the holder purporting to transfer the Performance Right otherwise than with the consent of the Board or by force of law;
 - ix. the employment of the holder ceasing, where such a condition was imposed on the grant of the Performance Right;
 - x. in the opinion of the Board, the holder commits any fraudulent or dishonest act or is in breach of his or her obligations to the Company or subsidiary;
 - xi. the expiry date; or
 - xii. the seven year anniversary of the date of grant of the Performance Rights.

(B) Vested on cessation of employment

(C) Performance of management measured against an absolute shareholder return target of VRS

(D) Based on continued employment and disposal restrictions

3. SHARE-BASED PAYMENTS (CONTINUED)

Senior Management

On 12 April 2019 the Group granted 2,419,949 Performance Rights to eligible employees which will vest subject to their continued employment over a two year period.

Number of Performance Rights Granted	Vesting Date ^(A)	Lapsed	Vested	Vesting Hurdle ^(B)
1,085,327	30 June 2021	-	-	2 Year Retention

^(A) On vesting, Performance Rights will automatically convert to ordinary shares on a one for one basis. Performance Rights that do not vest will lapse. An unvested Performance Right will lapse upon the earlier to occur of:

- xiii. failure to satisfy the applicable vesting conditions;
- xiv. the holder purporting to transfer the Performance Right otherwise than with the consent of the Board or by force of law;
- xv. the employment of the holder ceasing, where such a condition was imposed on the grant of the Performance Right;
- xvi. in the opinion of the Board, the holder commits any fraudulent or dishonest act or is in breach of his or her obligations to the Company or subsidiary;
- xvii. the expiry date; or
- xviii. the seven year anniversary of the date of grant of the Performance Rights.

^(B) Based on continued employment for two years to 30 June 2021

Unvested Performance Rights

1,085,327 Performance Rights issued in April 2019 to Senior Management remain unvested at 31 December 2019.

For personal use only

4. TAX EXPENSE (BENEFIT)

Tax expense is recognised based on the best estimate of the weighted average annual income tax rate expected for the full financial year applied to the pre-tax income of the interim period.

Reconciliation of effective tax rate:

	2019 \$000	2018 \$000
Profit/ (loss) before income tax – continuing operations	(6,100)	(38,182)
Income tax at 30% (2018: 30%)	(1,830)	(11,455)
Add (less) tax effect of:		
Other non-allowable /assessable items	1,086	10,248
Adjustments for prior periods	(458)	(118)
Derecognition of deferred tax asset*	8,211	-
Adjustments other	-	(2)
Income Tax Expense / (Benefit) – continuing operations	7,009	(1,327)
Profit/ (loss) before income tax – discontinued operations	(3,374)	871
Income tax at 30% (2018: 30%)	(1,012)	261
Add (less) tax effect of:		
Other non-allowable /assessable items	(625)	143
Derecognition of deferred tax asset*	2,214	-
Adjustments other	(668)	-
Income Tax Expense / (Benefit) – discontinued operations	(91)	404

* Veris Limited tax consolidated group has significant carried forward tax losses available as at 31 December 2019. Following the sale of subsidiary Elton Consulting Pty Ltd, management have performed a review based on current management forecasts and determined that it is not probable that future taxable profit over the forecast period will be sufficient to utilise all carried forward tax losses and have derecognised \$10,425,000 of deferred tax assets (\$6,800,000 that had previously been recognised plus \$3,500,000 of income and capital losses that arose in the current period). This derecognition does not impact the future availability of such tax losses. Management will continue to reassess the recoverability of deferred tax assets at future reporting dates

5. SUBSEQUENT EVENT

No significant subsequent events occurred since the end of the period.

6. LOANS AND BORROWINGS

	31 Dec 2019 \$000	30 Jun 2019 \$000
Current liabilities		
Lease liabilities	5,412	3,356
Cash advance facility	5,665	-
	11,077	3,356
Non-current liabilities		
Lease liabilities	19,013	6,993
Cash advance facility	-	11,410
	19,013	18,403

6. LOANS AND BORROWINGS (CONTINUED)

During the FY19 year the Group negotiated new covenant and payment terms with its primary bankers for the remainder of the FY19 financial year and for the FY20 financial year. Related to the sale of the Elton Consulting Pty Ltd business, in November 2019 the term of the facility was extended to 1 January 2021 and a portion of the loan was repaid ahead of schedule. The facilities were utilised to \$5.67 million as at 31 December 2019. The loan covenants applicable to the CBA facilities state that the Group is to maintain EBITDA in line with bank agreed forecasts. As a result of the Elton sale and business performance, the Group sought and successfully re-negotiated the EBITDA forecast loan covenants subsequent to the half year end and the Company's bankers confirmed the Group was in compliance with the amended post 31 December 2019 EBITDA forecast loan covenants. However in accordance with accounting standards the loan has been classified as current as at 31 December 2019.

Prior to 30 June 2020, it is the intention by both parties to revisit the covenant terms and the other terms of the facility beyond the current expiry.

7. DISCONTINUED OPERATIONS

On 21 November 2019, the group sold Elton Consulting Pty Ltd for \$13 million. The business was not previously classified as held-for-sale or as a discontinued operation.

The sale of Elton Consulting resulted in a significant reduction in net debt allowing the company to focus on growth opportunities within its core business Veris Australia. The sale resulted in a loss of \$3.6 million.

Results of Discontinued Operations

	2019	2018
	\$000	\$000
Revenue	7,851	9,701
Expenses	(6,863)	(8,271)
Results from discontinued operating activities	988	1,431
Depreciation	(33)	(50)
Amortisation	(330)	(495)
Share-based payment	(365)	-
Net finance (costs)/ income	2	(15)
Profit (loss) from operating activities	262	871
Income tax (expense)/ benefit on operating activities	91	(404)
Profit (loss) from operating activities, net of tax	353	467
Loss on sale of discontinued operation	(3,636)	-
Income tax (expense)/ benefit on sale of discontinued operation	-	-
Profit (loss) from discontinued operations for the period, net of tax	(3,283)	467

7. DISCONTINUED OPERATIONS (CONTINUED)

Earnings (loss) per Share

	2019	2018
	\$000	\$000
Basic earnings cents per share	(0.88)	0.27
Diluted earnings cents per share	(0.88)	0.27

Cash flows from (used in) discontinued operations

	2019	2018
	\$000	\$000
Net cash flows from (used in) operating activities	685	1,309
Net cash flows from (used in) investing activities	-	(17)
Net cash flows from (used in) financing activities	(1,794)	(927)

Effect of disposal on the financial position of the group

	2019
	\$000
Property, plant and equipment	(516)
WIP	(4,074)
Trade and other receivables	(1,906)
Cash and cash equivalents	(201)
Goodwill	(11,172)
Customer Relationships	(2,052)
Brands	(168)
Deferred tax liabilities	64
Trade and other payables	2,234
Employee benefits	1,370
Net assets and liabilities	(16,421)
Cash consideration	13,000
Less related costs of sale	(215)
Loss on sale of subsidiary (pre-tax)	(3,636)
Cash consideration*	13,000
Cash and cash equivalents disposed of	(201)
Net cash inflow	12,799

*Includes \$500,000 deferred consideration

8. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at the year ended 30 June 2019.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 30 June 2020.

AASB 16 LEASES

AASB 16 Leases specifies how to recognise, measure and disclose leases and applies to annual reporting periods beginning on or after 1 July 2019. Previously, under AASB 117, the Group classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. The new AASB 16 standard replaces AASB 117 Leases, and the related interpretations, and provides a single lessee accounting model, requiring lessees to recognise right-of-use assets and lease liabilities for almost all leases but will have the option not to recognise 'short-term' leases and leases of 'low-value' assets.

The Group recognised all lease liabilities and corresponding right of use assets, with the exception of short-term (12 months or fewer), low value leases and practical expedients allowed under the standard, on the balance sheet. Right of use assets are measured at either their carrying amount as if AASB 16 had been applied since their commencement date, discounted using the Group's incremental borrowing rate at the date of initial application or an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

Lease liabilities are recorded at the present value of: fixed payments; variable lease payments that depend on an index or rate; amounts paid under residual value guarantees; and extension options expected to be exercised. Where a lease contains an extension option which the Group can exercise without negotiation, lease payments for the extension period are included in the liability if the Group is reasonably certain that it will exercise the option.

Variable lease payments not dependent on an index of rate are excluded from the calculation of the lease liabilities. Payments are discounted at the incremental borrowing rate of the lessee, unless the interest rate implicit in the lease can be readily determined. For lease agreements relating to properties, certain non-lease components are excluded from the projection of future lease payments and are recorded separately within operating costs. The right of use asset, resulting from a lease arrangement, at initial recognition reflects the lease liability, initial direct costs and any lease payments made before the commencement date of the lease less any lease incentives.

The Group recognises depreciation of right of use assets and interest on lease liabilities in the income statement over the lease term. Right of use assets are included in the review for impairment of property, plant and equipment and intangible assets with finite lives, if there is an indication that the carrying amount of the cash generating unit may not be recoverable.

The nature of the Group's leasing activities includes leasing of office space, leasing of IT equipment and leasing of motor vehicles.

8. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impact of transition to AASB 16 'Leases'

The Group implemented the standard as at 1 July 2019 using the modified retrospective approach. Accordingly, the comparative information presented for FY19 is not restated.

The impact of transition to AASB 16 on the Group's 1 July 2019 balance sheet is an increase in lease liabilities (debt) of \$19,792,000, an increase in right of use assets of \$19,792,000.

The weighted average incremental borrowing rate applied to the Group's lease liabilities recognised in the balance sheet at 1 July 2019 is 4.55%.

	31 Dec 2019	1 July 2019
	\$000	\$000
Discounted operating lease commitments using incremental borrowing rate at 1 July 2019		19,792
Finance lease liabilities recognised as at 30 June 2019		10,349
Lease liabilities recognised at 1 July 2019		30,141
Comprising:		
Current	5,412	7,122
Non-current	19,013	23,019
	24,425	30,141

The newly recognised right-of-use assets relate to the following type of assets:

	Dec 2019	July 2019
	\$000	\$000
Leasehold Improvements	15,724	17,379
Motor Vehicles	1,585	2,121
Plant and Equipment	239	292
	17,548	19,792

The change in accounting policy affected the following items on the statement of comprehensive income during the period:

- Interest expense on lease liabilities – increase by \$412,000
- Depreciation expense – increase by \$2,322,000

The change in accounting policy affected the following items in the statement of cash flows during the period:

- Decrease in operating cash outflows \$1,956,000
- Increase in financing cash outflows \$1,956,000
- Effect on cash and cash equivalents \$nil

8. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases
- The exclusion of low-value assets
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease

The amount of costs expensed for the period from leases as determined under AASB 16 that have not been reflected on the balance sheet by applying the above practical expedients is \$469,750

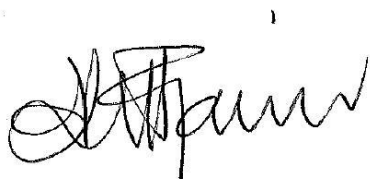
For personal use only

DIRECTORS' DECLARATION

In the opinion of the directors of Veris Limited ("the Company"):

1. the condensed consolidated financial statements and notes set out on pages 8 to 24, are in accordance with the Corporations Act 2001 including:
 - (a) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the six month period ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:



Karl Paganin
Chairman

Dated at Perth this 27 day of February 2020



Independent Auditor's Review Report

To the shareholders of Veris Limited

Report on the Half-year Financial Report

Conclusion

We have reviewed the accompanying **Half-year Financial Report** of Veris Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half-year Financial Report of Veris Limited is not in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the **Group's** financial position as at 31 December 2019 and of its performance for the Half-year ended on that date; and
- Complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Half-year Financial Report** comprises the:

- Condensed Consolidated statement of financial position as at 31 December 2019.
- Condensed Consolidated statement of profit or loss and other comprehensive income, Condensed Consolidated statement of changes in equity and Consolidated statement of cash flows for the Half-year ended on that date.
- Notes 1 to 8 comprising a summary of significant accounting policies and other explanatory information.
- The Directors' Declaration.

The **Group** comprises Veris Limited (the Company) and the entities it controlled at the Half-year's end or from time to time during the Half-year.

Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

- The preparation of the Half-year Financial Report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*.
- For such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that is free from material misstatement, whether due to fraud or error.

For personal use only



Auditor's responsibility for the review of the Half-year Financial Report

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Half-year Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the Half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Veris Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

KPMG

KPMG

Jane Bailey

Jane Bailey
Partner

Perth

27 February 2020

For personal use only



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Veris Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Veris Limited for the half-year ended 31 December 2019 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Jane Bailey

Jane Bailey
Partner

Perth

27 February 2020

For personal use only



Perth

Level 12, 3 Hasler Road
Locked Bag 9
Osborne Park WA 6017
Australia

T 08 9317 0600

F 08 9317 0611

veris@Veris.com.au

Veris.com.au

CORPORATE INFORMATION

The registered office of the company is:

Veris Limited
Level 12, 3 Hasler Road
Osborne Park WA 6017

The principal place of business is:

Veris Limited
Level 12, 3 Hasler Road
Osborne Park WA 6017
Telephone: (08) 9317 0600

DEVELOP
WITH _____
CONFIDENCE™

For personal use only