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# ANNUAL REPORT

FOR THE FINANCIAL YEAR  
ENDED **30 JUNE 2023**





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# Engineering transformative solutions through full project and asset lifecycle.

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# Safety

## Zero Harm, Always

	LTIFR	MTIFR	TRIFR
FY16	1.14	1.14	2.28
FY17	0	2.39	3.59
FY18	0	1.45	4.35
FY19	0	0	0
FY20	0	0	0
FY21	0	0	0
FY22	0	4.35	8.70
FY23	<b>0</b>	<b>1.20</b>	<b>6.02</b>



**466**  
SAFETY  
LEADERSHIP  
CONVERSATIONS



**77**  
HAZARD  
REPORTS  
SUBMITTED



**7**  
YEARS  
SINCE LAST LOST  
TIME INJURY

# FY23 Highlights

\$M	2020	2021	2022	2023
Revenue	117.0	97.4	121.4	<b>118.2</b>
Gross Profit	36.3	26.8	35.4	<b>30.4</b>
Gross Profit Margin	31.0%	27.5%	29.2%	<b>25.7%</b>
EBITDAI	7.3	0.3	3.0	<b>(0.7)</b>
EBITDAI Margin	6.2%	0.3%	2.5%	<b>(0.6%)</b>
NPAT	1.8	<b>(4.5)</b>	<b>(3.1)</b>	<b>(9.5)</b>
Cash flow from operations	10.6	<b>(1.6)</b>	3.1	<b>(3.9)</b>
Impact of the foregone margins on poor performing projects and one-offs is as follows;				
Gross Profit	36.3	34.0	42.1	<b>33.9</b>
Gross Profit Margin	31.0%	34.9%	34.7%	<b>28.7%</b>
EBITDAI	11.4	7.7	10.1	<b>4.3</b>
EBITDAI Margin	9.7%	7.9%	8.3%	<b>3.7%</b>



NEW WESTPAC  
FINANCING  
FACILITIES  
ENTERED INTO TO  
**FUND FUTURE  
GROWTH**



WORK IN HAND  
**STILL STRONG**

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# About Verbrec

**Verbrec is a leading engineering, asset management, infrastructure, and training services provider, operating across the entire asset life cycle.**

Under the Verbrec name, we have brought together a number of established companies, including LogiCamms and OSD, which individually have a strong track record of delivering specialised services to the energy, mining and infrastructure industries since 1988.

With capabilities that range from concept design to end-of-life management, Verbrec is uniquely positioned to support and understand our client's priorities in their energy transition goals.

Our strengths lie in how we bring together our technical knowledge, engineering, niche construction, operational readiness, asset management and training capabilities to provide our clients with integrated solutions across the entire lifecycle. From initial concepts and planning – designing and delivering – operating and maintaining – to closing and transforming their assets.

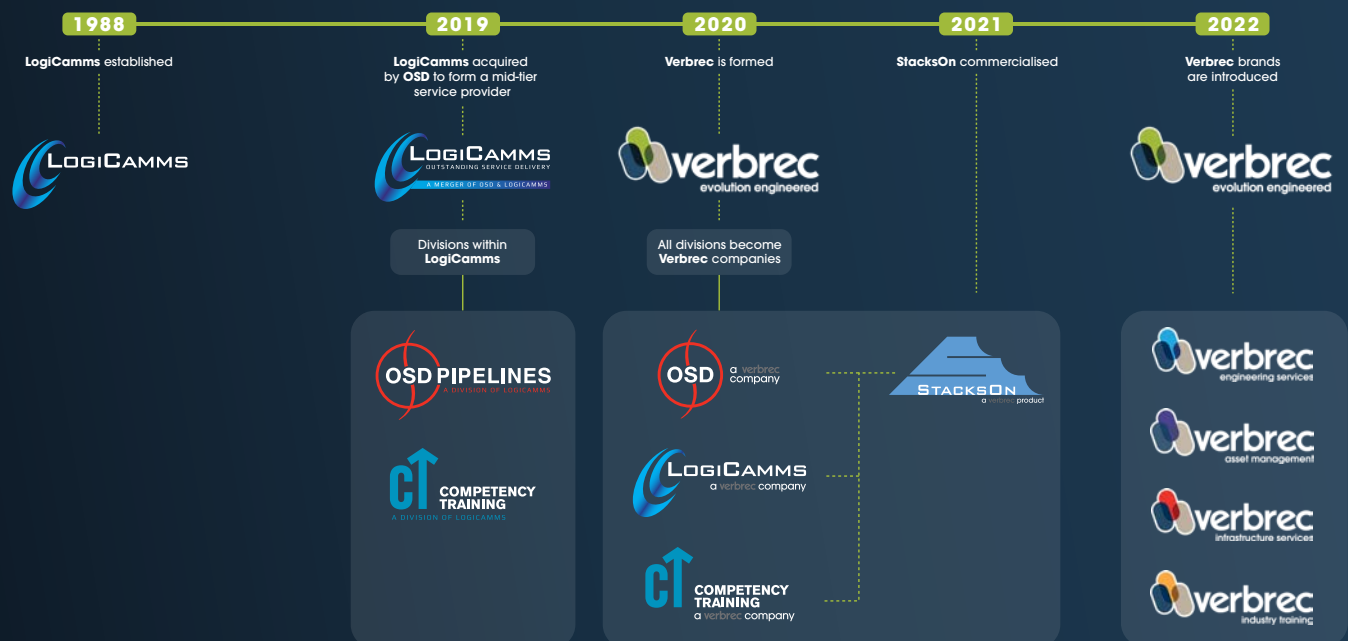
Our experienced team is recognised for its responsiveness and agility. We operate across multiple regions, including Australia, New Zealand, PNG, and the Pacific Islands, executing projects for organisations of all sizes.

We are driven by a common purpose that inspires our own people which, through strong client relationships built on trust, we transform assets and people for a more sustainable and smarter future.

At the heart of our business lies an endless drive to offer our clients a better way of working. Founded on a culture of high performance and safety, we continue to foster effective partnerships and alliances through a deep respect for our people.

*Verbrec represents the industry's evolution and continued growth by leveraging emerging technologies for a more sustainable future.*

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# Verbrec At A Glance

Driving continued growth by leveraging emerging technologies and the adaptability to remain at the forefront of an ever-changing industry. The Verbrec brand represents our evolution.

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**500+**  
TEAM MEMBERS



**3**  
CORE  
MARKETS



**14**  
LOCATIONS



**30+**  
AREAS OF  
EXPERTISE



**1**  
PURPOSE

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

*"Transforming assets for a sustainable and smarter future"*



# Our Core Services

As the industry goes digital and moves closer to its net zero targets, we have built an ecosystem offering solutions around our four core pillars. Our services are engineered to enable our clients to not only be prepared for the long-term but also meet their near-term needs:



## VERBREC ENGINEERING SERVICES

**Verbrec Engineering Services** provide innovative engineering and project delivery solutions to clients – through our technical specialties, including Automation & Control, Power, Process Plant and Pipelines.



## VERBREC ASSET MANAGEMENT SERVICES

**Verbrec Asset Management Services** specialises in working with owners and operators across Australia, New Zealand and PNG to provide asset management solutions that increase efficiencies, reduce cost and improve productivity, unlocking higher value from client's assets.



## VERBREC INFRASTRUCTURE SERVICES

**Verbrec Infrastructure Services** for Project delivery from inception through procurement and/or construction, commissioning, operations and maintenance.



## VERBREC INDUSTRY TRAINING

**Verbrec Industry Training** through Competency Training (CT) and Site Skills Training (SST) delivers training and competency assurance. As one of Australia's leading providers, we run weekly high-risk work licence courses and qualifications designed to help you or your employees advance in mining, resources, oil, gas, construction and engineering industries.

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# Our Markets

**The markets in which we operate are immersed in a transitional phase in the pursuit of a net zero future where the balance between carbon footprint and energy security must be carefully managed.**

## ENERGY

**The oil and gas industry has begun major transformation towards sustainability.**

Verbrec's deep experience in hydrocarbon-derived energy combined with our leading-edge experience in renewables and decarbonisation means that Verbrec is uniquely positioned to service the transition to net zero.

We are renowned for delivering projects related to pipeline transportation of oil and gas, tanks and terminals, field processing, refineries, compressor and pump stations, LNG receiving terminals, power station inlet facilities, electrical and control, and hazardous areas. We embrace the transition to environmentally sustainable hydrogen and support our clients as they develop these projects.

Employing only the highest standards of design safety principles, our multidisciplinary team supports clients by delivering environmentally sustainable and innovative brownfield or greenfield projects, with the capabilities to go beyond design work to provide full asset management, maintenance and reliability, and field operation services.

## MINING & RESOURCES

**The challenges encountered by the mining sector in its pursuit of sustainable practices are multi-faceted. The mining industry's transformation towards environmental responsibility presents challenges that demand innovative solutions.**

Verbrec has an exemplary track record of productivity improvement and innovation in the mining industry. From the pit to the port, we intimately understand the key commercial drivers in the value chain. This means our talented team and innovative solutions such as StacksOn™ integrate seamlessly with mining companies, regardless of size, to deliver safe, sustainable, cost-effective solutions that minimise risk and maximise throughput.

We are recognised for our project delivery services, including the supply of natural gas to sites, hydro transport, electrical and controls, digital industries, automation and information technologies, off-plot facilities, asset management, maintenance and reliability, operations, and much more.

We understand the fundamental commercial drivers for mining clients. This means we can work collaboratively, with both major mining houses and emerging companies, to deliver intelligent, safe, cost-effective solutions that minimise risk and maximise environmental sustainability.

## INFRASTRUCTURE

**Our clients face a number of intricate challenges within Australia's pipeline industry amidst its transition towards hydrogen as a possible future fuel source.**

Our long-proven capabilities in pipelines extend to adapting pipelines for hydrogen transportation, addressing compatibility challenges, implementing safety measures, and ensuring reliable and efficient distribution. As Australia's pipeline industry navigates the intricate terrain of hydrogen transition, Verbrec is positioned to be a transformative force. By addressing challenges related to green hydrogen production, pipeline adaptation, technological integration and regulatory compliance, we contribute to shaping a sustainable and prosperous hydrogen-powered future.

Verbrec enjoys a depth of experience in infrastructure development and maintenance that can only be gained as a licensed operator. From design to project execution, commissioning and best practice asset management strategies, we know how to unlock the true potential of an asset. Beyond pipelines, Verbrec is also playing a key role in Australia's water security and desalination efforts for Australia's critical water infrastructure. We support in the balance of plant design and implementation of sustainable desalination technologies that reduce energy consumption, minimize environmental impact, and ensure long-term water resource viability.

We are experienced in every aspect of the full lifecycle of water infrastructure, including both greenfield and brownfield projects, from concept through to long-term maintenance and operations. This extends from small water bore systems and gathering systems, to high-pressure class 1500 water lift systems, to the replacement of large inefficient channel drains with thousands of kilometres of pipelines, with all of the associated pumping facilities and controls and automation.

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# Our Purpose and Ambition

The industries where we operate are evolving in line with macro trends. Our client's operations are evolving to match their sustainability commitments. This positions Verbrec to deliver on its purpose - Transforming our client's assets and people for a more sustainable and smarter future to support our clients with the solutions they need.

## OUR PURPOSE

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

*"Transforming assets for a sustainable and smarter future".*

## OUR AMBITION

Our value proposition is hard to beat. This year, we announced our ambition to become a leading engineering brand of choice in providing sustainable and innovative solutions across the entire asset lifecycle towards the energy transition.

Our values underpin both our purpose and ambition.

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# Our Values

These values are the core of our culture. We use them to structure our objectives, measure our performance, and hold ourselves accountable to our clients.

*"Everything we do is guided by **the Verbrec Way**".*

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## TEAM MEMBERS

We value our greatest asset.

It is our people who deliver for our clients and who go the extra mile to meet their needs. We care for the needs of each other, as well as those of our clients and the communities in which we work.



## SAFETY

Zero harm, always.

Safety is a priority in everything we do to ensure zero harm to our team members, our clients and partners. Our safety culture is leadership-driven and backed up by comprehensive, robust, practical and ISO-certified systems and procedures.



## INTEGRITY

We are transparent. We do what is right.

Our integrity guides all our decisions and the way we interact with each other, our clients, suppliers and community. We pride ourselves on doing what we say we will do.



## INNOVATION

Adding value by being a step ahead.

Our integrity guides all our decisions and the way we interact with each other, our clients, suppliers and community. We pride ourselves on doing what we say we will do.



## DELIVERY

Quality. On time. On budget.

Providing outstanding service delivery is our mission. We hold ourselves accountable for delivering what we promised, when we promised it, and at the price we promised.



# Chairman's Letter to Shareholders

Dear Shareholders,

FY2023 has proven to be particularly challenging for Verbrec. Despite that, we are seeing some more encouraging signs and I'm pleased to report that Verbrec is now heading in the right direction. The onerous legacy projects are all complete or have been terminated. The last, the Queensland Urban Utilities (QUU) SCADA Upgrade Project, was terminated, as previously advised, on 24 January 2023. While that represents a net positive for the Group, we are now managing our way through the negative working capital impacts that these projects had. During FY2023 the group's results were impacted by \$3.5m in foregone margins on the poor performing legacy projects and a further \$2.6m from impaired work in progress, neither of which have been recovered to date. It goes without saying that the financial results for FY2023, as frustrating as they are for management, are disappointing and unacceptable from now on.

Although the legacy projects are behind us, we have continued to pursue significant claims under the terminated contracts. In one case in point, Verbrec and Service Stream Utilities Pty Ltd (SSU) remain in dispute. All the losses sustained in completing or terminating the legacy projects, and the associated legal costs to date, are reflected in the Profit and Loss. There will be some ongoing legal costs in FY2024 until these matters are resolved.

Our public classroom training business continued its post COVID recovery during FY2023, but low participant numbers have seen the closure of facilities in Darwin and West Brisbane occasioning a \$1.41m impairment charge. The North Brisbane and Jandakot facilities continue to meet expectations as do our in-house corporate training offerings.

## Safety

The health and safety of our people, stakeholders, and the communities we serve remains paramount for the Board and Management. While it is with pride that we can report zero LTIs for the seventh consecutive year, the Board remains committed to Managements' continuous improvement of our safety culture and performance.

## Management Focus

Our new CEO, Mark Read, has made a positive and palpable impact on the business since starting on 13 March. The Board has given its full support to Mark to implement the management and structural changes required to ensure our business has a sustainable cost base and less on-going exposure to fixed price EPC contracts and to improve our project management and quality assurance capability.

With accommodation made by our bankers and support from the Board, Mark and his reinvigorated senior executive team, made the difficult decision in early April to reduce our headcount and our geographical footprint post the end of the onerous legacy projects. As stated above, this impact was seen in the management accounts in May when all business units reported positive contribution for the first time in FY2023.

Under Mark's leadership, the management and staff are absolutely focused on the need to return to profitability in FY2024 and, importantly, to increase our earnings and free cash flow so we can generate an acceptable return on assets for our shareholders.

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## Opportunities

Despite the challenging operating environment over the past 12 months, Verbrec has maintained a healthy work in hand position. As detailed in the CEO's report which follows, a welcome addition to our traditional business is to be found in the transition to an alternative energy generation future. Decarbonising the global economy is providing technically exciting and profitable projects for our engineers to be engaged in with some significant clients.

FY2023 saw the first full year of Verbrec's licenced software (SAAS) for stockpile management, StacksOn™, being utilised by BHP Iron Ore at both mines and ports in Western Australia. The StacksOn™ software solution was developed and refined over many years by Verbrec with the development costs expensed, not capitalised. Hence, the product that has emerged, has minimal carrying value on Verbrec's balance sheet and therein lies an opportunity, not fully recognised by the market, in its valuation of Verbrec. Meanwhile, StacksOn™ is starting to attract interest from other miners in Western Australia.

## Environmental and Social Governance (ESG)

Now, without the onerous project distractions occupying Board and Management attention, the Board has committed to the implementation of an ESG framework to appropriately manage ESG related risks and opportunities which are of increasing importance to our stakeholders.

## Recognition

As announced on 20 July, our respected Chief Financial Officer, Michael Casey, has advised the Board of his desire to pursue a new career opportunity. While we work through a timetable for his departure, an interim CFO has been engaged and the Board has initiated a comprehensive search process to identify a suitable replacement for Michael.

The Board also acknowledges the contribution of Linton Burns who resigned as a Director of Verbrec Limited, on 14 March this year. Linton was one of the architects of the creation of Verbrec from its progenitors, Logicamms Limited and OSD Pty Ltd. In his time with the Group, starting in 2009, he left an indelible impression on the organisation. We wish him well in his new business pursuits.

## Closing

Finally, I would like to thank our shareholders for their ongoing support and acknowledge my fellow Board members and all our valued people working across the business for their commitment and dedication over this past year and the one before it. Our collective priority is to achieve the business performance we expect and know is possible in FY2024 and beyond, and to resume dividend payments to shareholders as soon as it is prudent to do so.

Yours sincerely,

**Phillip Campbell**  
Chairman

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# Board of Directors

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**PHILLIP CAMPBELL**  
NON-EXECUTIVE  
CHAIR



Phillip joined Verbrec in October 2019 and is an experienced independent non-executive director on publicly listed and private company boards. His executive experience includes MD and CEO roles in a range of manufacturing and engineering businesses, and he has significant experience in business turnarounds then growing businesses to restore value. Phillip has a Bachelor of Electrical and Electronics Engineering from the University of Queensland and is a graduate of the Australian Institute of Company Directors.

**BRIAN O’SULLIVAN (AM)**  
NON-EXECUTIVE  
DIRECTOR



As the former founder and Chairman of OSD, Brian joined the Verbrec Board in June 2019, bringing with him over 30 years’ experience in business management, project management and engineering, specialising in the design, construction and maintenance of major pipelines and petrochemical facilities across 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.

**MATTHEW MORGAN**  
NON-EXECUTIVE  
DIRECTOR



Matthew joined Verbrec in October 2019 and 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 brings significant commercial experience including M&A and capital raising to the Verbrec Board. Matthew has a Bachelor of Commerce from Griffith University, a Bachelor of Applied Science and an MBA from Queensland University of Technology, and was Australia’s first Kauffman Fellow.

**SARAH ZELJKO**  
NON-EXECUTIVE  
DIRECTOR



Sarah joined the Verbrec Board in September 2020, bringing with 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.



# Engineering a digitised, net zero carbon future.

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# CEO's

# Letter to Shareholders

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Dear **Shareholders,**

It is with great pleasure that I present Verbrec's Annual Report for the financial year ended 30 June 2023. I want to take this opportunity to thank everyone for their warm welcome to me as our new Chief Executive when I commenced on 13th March this year.

As an engineer with more than 30 years' global experience, I am truly humbled to be leading such a great organisation with a team that possesses technical expertise and capabilities that are the envy of many of our competitors.

I also wanted to acknowledge the work of former CEO Linton Burns and the Leadership team over the past three years.

Clearly, we are well placed to build on Verbrec's world leading reputation, and work as a collaborative, cohesive unit to deliver exceptional value to our clients.

## **Financial Performance**

Financially, however, it has been a tough 12 months, highlighted by an economic slowdown, the cessation of the final of three legacy projects and a challenging market environment.

Despite that, there are indications that we are turning a corner, with a positive EBITDA recorded in the months of May and June 2023 (excluding legacy project impacts and other one-off's). For the full year, Verbrec recorded total revenue of \$118.2m and a normalised EBITDAI profit of \$4.3m. Our work in hand remains strong leading into the new financial year.

## **Commitment to Safety**

Safety is also a key performance indicator, and I am pleased to report that we held a 0 LTI record throughout the period, as we have for several years now.

In addition, we have taken actions to improve the way we think about safety, aligning our systems and processes to have an even greater focus on proactive, leading indicators in line with ISO45001 : 2018.

## **Moving Forward**

Like most organisations across the region, the economic slowdown was having an impact on both revenues and our cost base and, if we were to move forward, we needed to act.

Regrettably, that involved some 'right-sizing' and staff leaving the business as we matched our resources to current workload and near-term expected market demand. In addition, we restructured some elements of the business and refreshed the Leadership Team.

A series of key activities designed to support a more sustainable future for the business and, importantly to grow it, was initiated.

This included the development of a shared commitment to look forward to future successes; aligning as a strong team and working together to support each other; rebuilding client relationships through the reintroduction of Key Account Managers; enhancing our systems and processes to improve operational efficiency; and focusing on more consistent project delivery standards.



Across the firm, there has been strong agreement about the need to work towards better internal career progression and developing more sustainable pathways for our people.

This will essentially revolve around putting the right people into the right roles and better managing our considerable talent.

## Great Projects

It is pleasing to report that our clients have responded positively to our moves.

We have secured key contracts with blue-chip organisations like Santos, Origin, Australian Gas Infrastructure Group (AGIG), APA, Epic Energy, Arrow, Todd Energy, BHP, First Gas and Power & Water Corporation.

We've also been involved in several outstanding projects such as the multi-award winning ToolTek Vehicle manufactured by WEIR ESCO and now being used on mine sites like Rio Tinto.

Our Training business designed a breakthrough theory and practical skills training package using virtual technology for the safe and cost-effective use of the ToolTek Vehicle.

Verbrec's Infrastructure Services division is one of the largest and most respected independent pipeline operators in the region, with more than 20 pipelines under management. Over the past year, our team was awarded the 6-kilometre-long Shoalhaven Starches Bomaderry Gas Pipeline (SSBGP) operation and maintenance contract - the first pipeline operation and maintenance contract for the company in New South Wales.

Verbrec was appointed by the Australian Gas Infrastructure Group (AGIG) and foundation miner Mindax, to carry out a pre-feasibility study for the Mid-West Shared Infrastructure Project (MWSIP) in Western Australia.

This project, which was conceived by Verbrec some eight years ago, involves the potential use of common hydro transport, power and water utilities, along with common transshipping solutions at Oakajee Port for the miners of the Yilgarn Mining Province of the Mid-West, inland from Geraldton, to commercialise the vast Magnetite iron ore province.

Our Asset Management team provides asset management solutions that increase efficiencies, reduce costs and improve productivity. For instance, they're now helping a number of clients harness the power of artificial intelligence (AI) and ChatGPT to enhance their Asset Management capabilities.

With the Net Zero transition firmly underway, we won an Advanced Battery Project in Queensland with a Tier 1 Electricity and Gas Provider, to investigate the merits of three battery technologies that are being considered for installation beside an existing major power station.

In New Zealand, Verbrec was awarded the detailed design engineering contract from Gas Services NZ, part of the Firstgas Group for the balance of plant at the Broadlands Biogas Upgrading facility.

This is just a small taste of the outstanding work being delivered by Verbrec for clients across the region.

## In Closing

I firmly believe that Verbrec is ideally positioned to expand the offering it provides to current clients, as well as developing new markets, particularly within the renewable energy and digital technology space.

With the actions we have undertaken to date, and a refreshed strategy being developed, we are well placed to improve the Company's financial position in FY2024.

I look forward to delivering on the next stage in the evolution of Verbrec - building upon our purpose, increasing the brand's value and enhancing the environment in which we can all grow and flourish.

If we do this well, and I am sure we can, it will result in strengthened relationships with our key clients, provide staff with the opportunity to work on great projects, whilst delivering outstanding value and returns to our shareholders.

Yours sincerely,

**Mark Read**  
CEO

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# Our Executive Team

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**MARK READ**  
CHIEF EXECUTIVE OFFICER



Mark Read has been appointed Chief Executive Officer of Verbrec effective on 13 March 2023. Mark is a results-focused senior executive business leader, CEO and Board director with a proven record of successfully establishing, transforming, acquiring and growing businesses to improve profitability, enable international expansion and achieve sustained growth. Over 30 years' experience across publicly listed and privately held global engineering service companies with roles ranging from global enterprise management, engineering, project management and in turnkey construction through to operations and maintenance in a wide range of industries.

**JOEL VOSS**  
COMPANY SECRETARY,  
CONTRACTS &  
PROCUREMENT MANAGER



Joel is a Contracts, Procurement and Governance professional with over 15 years of experience, primarily in the construction, manufacturing and engineering consulting sector. Joel joined Verbrec in 2016 and in addition to his Company Secretarial duties is the Contracts and Procurement Manager for Verbrec and its associated subsidiary companies. As part of his role, he provides commercial guidance to key company stakeholders and acts as the main conduit between the company and its various legal advisers, insurers and regulators.

**BRAD LOVE**  
ACTING CHIEF  
OPERATING OFFICER



Brad is a Project Delivery, Project Controls and Business Systems professional with more than 20 years' experience across a range of industry sectors both client side and consultant side. As a degree qualified Mechanical Engineer, with a career originally forged in the manufacturing sector, Brad has a strong background in Lean methodology and a passion for process improvement.

**MICHAEL CASEY**  
CHIEF FINANCIAL  
OFFICER



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 FLSmith, 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. He holds a Bachelor of Business from the Queensland University of Technology, is a member of Chartered Accountants Australia and New Zealand, and is a Graduate Member of the Australian Institute of Company Directors.

**ALAN GREGORY**  
GENERAL MANAGER,  
TRAINING SERVICES



Alan has over 25 years of leadership and business management experience globally, spanning the private, public and defence sectors; specialising in the education, mining, construction and aerospace industries. As General Manager, Alan is responsible for the governance, leadership, capability development and growth of Verbrec Industry Training Services, leading the highly regarded Training team which develops and delivers internationally and nationally recognised technical training, compliance and management services to clients across Australia, New Zealand, PNG and the Asia-Pacific.



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**SOHEIL TAHERIAN**  
GENERAL MANAGER,  
EAST



Soheil has 19+ years of expertise in petrochemical, oil & gas, and water infrastructure design, construction, and integrity management. He excels in pipeline design, from concept studies to construction support, and has a strong background in engineering services. As the GM of East Engineering at Verbrec, Soheil oversees the engineering services team in Eastern and Northern Australia, Papua New Guinea, and parts of the Pacific. He holds a Bachelor's degree in Mechanical Engineering, an MBA, and is a Chartered Engineer, RPEQ, and Fellow member of Engineers Australia.

**TONY PETRUZZELLI**  
GENERAL MANAGER,  
SOUTH & WEST



Tony is responsible for the leadership and growth of Verbrec's business unit in southern and western Australia which includes our Adelaide and Perth offices. He has worked across the infrastructure, oil & gas, mining and minerals, water and food & beverage sectors for over 30 years, and has gained extensive business development, project management and engineering management experience in roles with Amec, Goodman Fielder and LogiCamms. Tony's qualifications and technical background are in electrical engineering, control systems and automation.

**PETER MAY**  
GENERAL MANAGER,  
NEW ZEALAND



Peter is responsible for the leadership and growth of Verbrec's New Zealand business unit. Peter has worked across the Oil and Gas and Petrochemicals sectors for over 30 years and brings a strong engineering execution and delivery history, extensive cross-cultural management and leadership experience, gained across four continents. Leveraging off his strong technical background knowledge of FEED/EPCm/EPC and Consulting Engineering Services businesses, solid commercial background and proven ability to apply business acumen, Peter ensures strategic goals are driven to realization through stakeholder engagement and buy-in.

**JARROD WOOLNOUGH**  
GENERAL MANAGER,  
INFRASTRUCTURE SERVICES



Jarrold has over 13 years' experience working across the oil and gas, mining, and minerals processing industries, with his expertise including brownfield design and construction management, pipeline and process facilities design and operations and maintenance, turnaround project management, and contract administration. Jarrold manages our Infrastructure Services team which operates and maintains pipelines and associated facilities across Australia.

**DOMINIC WOOD**  
GENERAL MANAGER,  
ASSET MANAGEMENT



Dom heads up our Asset Management business unit, leading a team of specialists focussed on delivering asset management solutions for clients across Australia, New Zealand, PNG and the Pacific. He has over 15 years' asset management and maintenance experience, specialising in maintenance management, operational readiness assurance, and maintenance optimisation. Dom has a Bachelor of Mechanical Engineering from the University of Queensland.

**CALLUM PHILLIPS**  
GENERAL MANAGER,  
PEOPLE AND CAPABILITY



As General Manager of People and Capability, Callum is responsible for shaping Verbrec's people strategy, including engagement, talent development, and workplace relations. Callum has 10 years of experience assisting organisations and leaders to develop high-performing teams to align with corporate objectives. Prior to joining Verbrec, he provided strategic advice to a variety of unionised industries, with a focus on those in the resources sector, before moving into an operational leadership position in the healthcare industry.



# How We Create Value

Verbrec is positioning itself as the leading engineering brand of choice. Our focus is on being the driver of change, through technology, adaptability, and responsiveness.

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## OUR VISION:

Engineering transformative solutions through full project and asset lifecycles.

## OUR PURPOSE:

Unifies our services, and as one entity, we aim to build strong relationships founded on trust and transform assets and people, for a sustainable and smarter future.

## HOW:

Staying true to our values and delivering fit-for-purpose solutions, while being highly responsive to our clients.

## WE FOCUS ON:

- Zero harm, always
- Developing Best in Class Business Development & Marketing
- Delivery, on time and budget

## WE FURTHER PROMOTE OUR SPECIALIST EXPERTISE IN:

- Asset Management
- Automation & Control
- Industry Training
- Pipelines
- Power
- Process Plant

## OUR KEY MARKETS:

- Mining
- Infrastructure
- Energy

(Across Australia, NZ, PNG, and the Pacific)

## WE FURTHER BUILD AND PROMOTE CAPABILITIES IN:

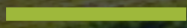
- Front-end (Study & commercial)
- Niche EPC
- Project delivery

## OUR KEY LONG-TERM GROWTH AREAS:

- Industry Digitalisation
- Battery Minerals
- Renewables
- Grid Connections
- Hydrogen
- Emission Reductions
- Decommissioning



# Engineering a more sustainable and smarter future.



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# Market Outlook

## Energy

**Our clients face numerous challenges in the energy sector as they strive to achieve net-zero emissions. The journey to net zero necessitates the creation and deployment of cutting-edge technologies that underpin cleaner energy solutions. Verbrec draws on global relationships to bring this cutting edge technology to our clients.**

### LONG HISTORY IN CONVENTIONAL ENERGY

The transition also demands the overhaul of existing energy infrastructure, which can be resource-intensive and places the reliability of the existing infrastructure at risk. Our long history in conventional energy allows Verbrec to design and implement solutions to enhance process and power plants, grids, and facilities to seamlessly accommodate renewable energy sources whilst maintaining energy security.

Increasingly, there is recognition within industry, that the path to net zero will be paved with a balanced approach, bringing conventional and renewable energy together for a more sustainable future. We see this approach continuing for the next decade.

### LOW-CARBON ENERGY

The intermittent nature of renewable energy sources demands sophisticated energy storage solutions. Verbrec meets this challenge by designing systems that store and distribute energy intelligently, mitigating the impact of supply fluctuations.

We undertake the redesign and enhancement of energy infrastructure to accommodate renewables seamlessly. Our expertise ensures that the transition is smooth, efficient, and aligned with environmental goals.

In our pursuit to transform assets and people for a sustainable future, we recognise that workforce displacement in a traditionally fossil fuel-dependent sector, will become an increasing challenge which necessitates careful management. Our tailored workforce training programs equip personnel with the skills necessary for evolving roles in the net-zero era, ensuring a workforce which is future ready.

**The journey to net zero presents formidable challenges to the energy sector, and Verbrec stands as a steadfast partner, driving innovation, sustainability, and responsible progress. As we move forward, we remain committed to addressing these challenges head-on, whilst leveraging our conventional expertise to propel the energy industry towards a cleaner, more sustainable future.**

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**CASE STUDY: ENERGY EFFICIENCY STUDY OF BEACH'S NZ OPERATIONS**

Beach is the operator of the Kupe Natural Gas Processing Plant which produces gas from the Kupe Field, situated approximately 30 km offshore of New Zealand's North Island. Kupe is critical to the country's energy infrastructure, providing 15 percent of the country's gas and 50 percent of its LPG during peak periods. An Energy Efficiency Improvement Study was completed by Verbrec's Engineering Services division, with an analysis of the process culminating in options for improved efficiency. The study will play an important role in Beach meeting its emission reduction goal of a 25 percent reduction of operational emissions by 2025.



**CASE STUDY: VERBREC SUPPORTING CONSTRUCTION OF AUSTRALIA'S FIRST LNG IMPORT TERMINAL**

Verbrec is supporting a major energy distributor's construction of Australia's first LNG import and regasification terminal located at Port Kembla New South Wales. The terminal will consist of a permanently moored floating storage regasification unit (FSRU), onshore facilities, a gas export pipeline tying into the East Coast grid, nitrogen injection facilities and additional tie in facilities. Verbrec was contracted to provide the detailed design of the onshore receiving facilities, including utilities and control systems, balance of plant, non-process infrastructure, fire safety and civil roads and drainage. The project will play an important part in safeguarding energy security at a challenging time in the energy transition.



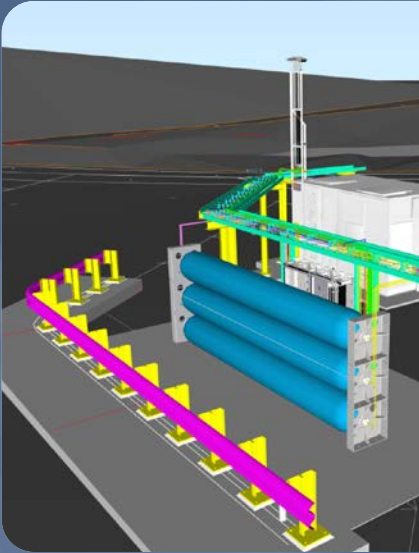
**CASE STUDY: VERBREC DELIVERS ON PFS FOR NORTHSTAR'S ENERGY HUB, AN ENERGY TRANSITION SOLUTION**

Verbrec was engaged by NorthStar Energy to assess the feasibility of creating the EEH, which will produce green and blue hydrogen as well as ammonia and fertilizer for domestic and global markets. The study focused on a three-phase development strategy, which included Phase 1 – Green Hydrogen Pilot, Phase 2 – Green Hydrogen and Ammonia Full-Scale Production, and Phase 3 – Blue Hydrogen, Ammonia and Urea Production. The Verbrec team evaluated the feasibility of the project on several fronts including the availability and reliability of resources and infrastructure. This included assessing both PEM and Alkaline hydrogen electrolyser technology powered by solar PV trackers and a battery storage system for green hydrogen and ammonia production. For blue hydrogen and ammonia, the Synco™ Autothermal Reformer process was assessed with natural gas as feedstock and carbon capture via urea production.

The Verbrec team successfully confirmed the technical feasibility of producing both green and blue hydrogen and ammonia. As a result, the feasibility study allowed NorthStar Energy to evaluate project investment decisions confidently and commence scoping of a Front End Engineering and Design (FEED) Study for a Pilot Scale Green Hydrogen Plant.



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### CASE STUDY: VERBREC CONCLUDES CONTRACT TO DESIGN HYDROGEN REFUELLING PILOT PROJECT IN NSW

Verbrec provided the engineering design required to install, integrate and safely operate a hydrogen refuelling station as part of a 12-month future fuel trial to power a bus. The scope of the project included the technical assessment of vendor packages, a process safety hazard and operability (HAZOP) study, hazard identification (HAZID) facilitation, the location assessment and the general arrangement details to accommodate the refuelling station in the bus depot. Transport is one of the key opportunities to reduce emissions and the refuelling station is one of the many ways Verbrec is contributing to a carbon-neutral future by supporting revolutionary pilot programs.



### CASE STUDY: BROADLANDS BIOGAS UPGRADE DESIGN

Verbrec is delivering the Broadlands Biogas Upgrade design for First Renewables Limited (FRL), as part of the Firstgas Group, completing the balance of the plant design of the Broadlands Biogas Upgrade facility. This includes linking the biogas upgrading unit and RTO with Firstgas' metering to enable it to be safely injected into the gas transmission system. The project represents the development of New Zealand's first large-scale biogas upgrading facility at Ecogas' Organics Processing Facility in Reporoa and supports another crucial milestone in NZ's energy transition, creating a circular economy by transforming kerbside waste into a valuable source of renewable gas for homes and businesses.[natur?](https://www.natur.govt.nz/)



### CASE STUDY: GOBE END OF FIELD LIFE FEED

Verbrec delivered a FEED study for a major oil and gas company, together with several sub-contractors and specialists to consider the end-of-life decommissioning and rehabilitation of a conventional oil and gas field in PNG. The Study considered demolition, waste management, remediation, rehabilitation and other environmental impacts. Verbrec's team focused on the decommissioning requirements in particular the flushing and cleaning of hydrocarbons from assets to assure safe and environmentally responsible demolition, as well as logistics planning, cost estimation, and scope execution planning. The study of waste materials is a key issue for decommissioning conventional energy assets. Managing the transition towards renewable energy will involve the decommissioning and/or repurposing of a number of conventional assets. The carbon footprint of these decommissioning activities must be considered in the overall cost of the energy transition.



# Market Outlook Mining & Resources

**Delivering a more sustainable and smarter future in mining and resources.**

The challenges encountered by the mining sector in its pursuit of sustainable practices are multi-faceted. The mining industry's transformation towards environmental responsibility presents challenges that demand innovative solutions, and our commitment to engineering excellence positions us as a strategic partner for mining companies on this transformative journey.

The mining process can exert considerable strain on ecosystems. Companies face challenges of minimising their environmental footprint and adhering to stringent regulatory frameworks.

Depleting natural resources underscore the need for sustainable extraction and transportation methods and improved resource utilisation. Mining companies are tasked with optimising operational efficiency while reducing resource consumption. The sector's evolution hinges on adopting advanced technologies to enhance operational efficiency reduce environmental impact through the entire supply chain.

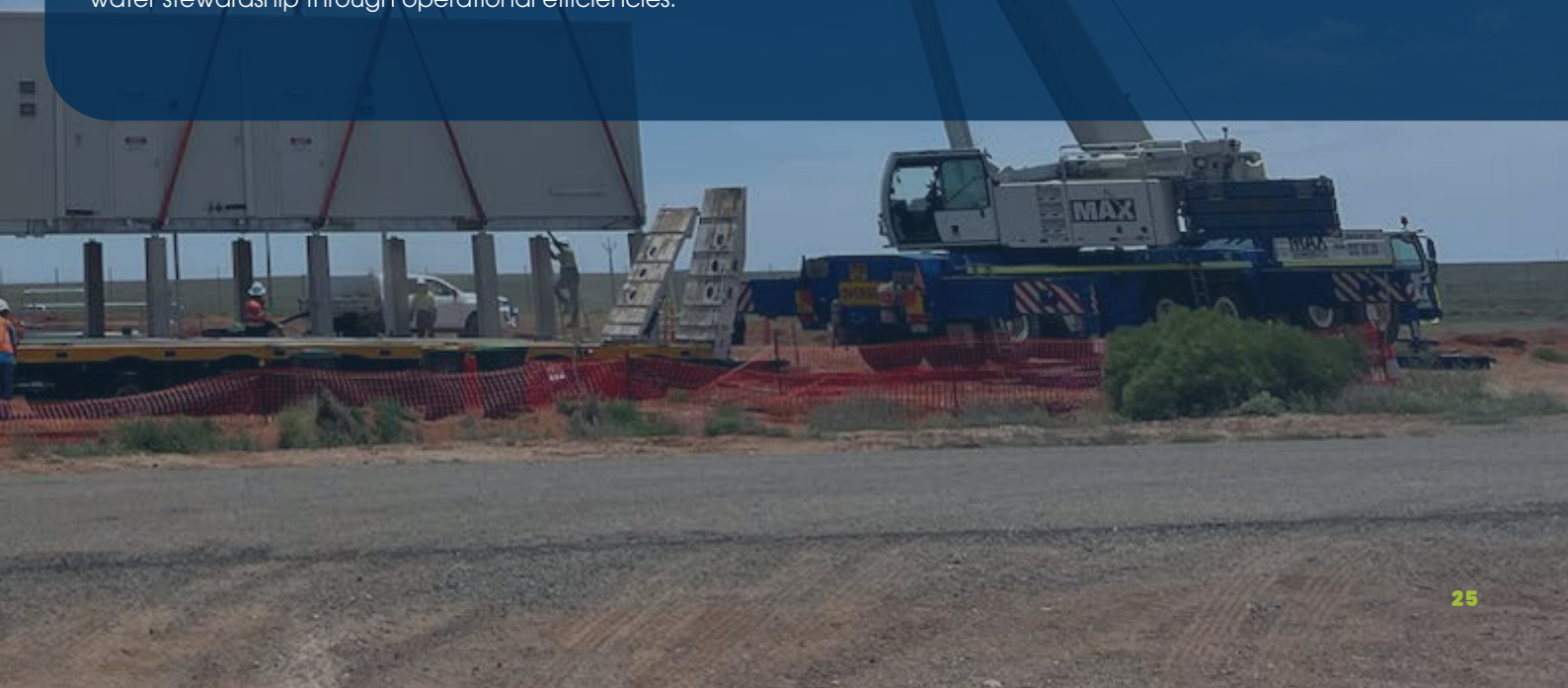
We are using our hydro-transport capability, automation and controls capability and our StacksOn™ 3D stockpile yard modelling software to support our clients in decarbonising their operations and providing greater water stewardship through operational efficiencies.

As a leader in slurry pipelines, Verbrec is playing a key role in decarbonising the transport of magnetite ore from Yilgarn to market in Western Australia. The pre-feasibility study will culminate in the development of capex and opex cost modelling for this shared infrastructure, that would ultimately reduce the carbon footprint associated with the delivery of ore to market.

By offering cutting-edge solutions in the process automation and software space, we help mining companies boost productivity while minimizing resource consumption. StacksOn™ is one such example.

Our expertise in integrating advanced technologies like IoT and automation into mining operations enhances decision-making, reduces downtime, and enhances overall performance, thereby reducing carbon footprint.

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### CASE STUDY: PRE-FEASIBILITY STUDY OF MID-WEST SHARED INFRASTRUCTURE

Awarded by the Australian Gas Infrastructure Group (AGIG), the study currently underway, will develop a costing model associated with the development of infrastructure for the export of iron ore, from the Yilgarn region of the Mid West of WA. Funded by Mindax Ltd and in part AGIG, the study will specifically cost the capex and opex of a base case shipment of 30 million tonnes per annum (MTPA) of magnetite iron ore. It will also include factored estimates for 60 and 90 MTPA in order to verify a robust business case to further develop the infrastructure bringing high quality magnetite from the Yilgarn, to market. The pre-feasibility study will include the work areas of energy and power, concentrate transportation, return and top up water, end of line facilities, port, and marine. The energy supply is planned to be sourced from a blend of gas and renewables supported by a 60MW BESS (Battery Energy Storage System). The Verbrec team deployed its Software Solutions capability to challenge the system using a digital twin, from mine gate to landing the magnetite product into the hold of an Ocean Going Vessel, via transshipping barges.



### CASE STUDY: AUSTRALIAN FIRST BATTERY TRIAL - LONG DURATION BATTERY ENERGY STORAGE CONCEPT STUDIES

In March 2023, Mr Tim Jordon, the Commissioner of the Australian Energy Market Commission expressed the urgency around energy storage solutions. In a presentation to the Australian Energy & Battery Storage Conference in March 2023, Tim said, "Operating a reliable low-carbon power system means that energy storage is imperative, and AEMO also makes this clear. By AEMO's current calculations, 61 GW of storage capacity is needed by 2050. That's 17 times current levels."

Verbrec has been engaged in the trial of two different battery storage technologies, both of which are being trialled for the first time in Australia. Each battery installation will be a 5MW/ 50MWhs BESS (Battery Energy Storage System). The trials will assess the applicability and integration of these new and emerging battery technologies, developed in the USA. The pilot project is a small-scale deployment that will allow the client to develop first-hand knowledge in emerging long duration energy storage technologies to underpin a rapid transition to renewables.

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## CASE STUDY: AWARD WINNING TECHNOLOGY DEVELOPMENT

Verbrec’s Training business played a key role in the eventual delivery of the multi-award winning ToolTek Vehicle manufactured by WEIR ESCO and now being used on mine sites by Rio Tinto. The vehicle is used for the safe handling of ground engaging tools (GET). The system’s innovative features include a quick connect attachment system that allows for rapid end effector changes, a GET agnostic universal tool head, and a Personal Proximity Awareness System that notifies the operator of potential line of fire within a set zone.

Verbrec embraced working alongside our award winning industry partners Weir ESCO and Rio Tinto as our end user client. Now servicing the ToolTek training needs of Rio Tinto at multiple mine sites and with the facilitation of future ToolTek vehicle trials on the horizon, our training team look forward to promoting on-site safety and upskilling the mining workforce of the future in the safe and efficient handling of Ground Engaging Tools.



## CASE STUDY: BHP SHIP TONNES FASTER - IMPROVING OPERATIONAL EFFICIENCY WITH STACKSON™

BHP Iron Ore are successfully using StacksOn across their entire WA operations, both at the mine site and Ports, with significant savings per annum.

BHP wanted to speed up their train loading times, increase their yard capacity and limit the number of times their mobile machines were waiting for a place to stack and reclaim.

**01. THE DISCOVERY PHASE:** StacksOn™ was able to accurately model what the yard would have looked like if the exact same product was stacked at the exact same rate but using the new yard operating philosophy.

**02. THE PROCESS:** StacksOn™ produced a video and interactive graph and tabulated breakdown showing the actual chemical breakdown of each rake alongside what that rake would have contained if the exact same product was stacked and reclaimed in the proposed operation

**03. THE RESULT:** The client reported a significant reduction in the average amount of time the reclaimer took to fill a train as well as a reduction in overall grade variability within the stockyard thanks to StacksOn™.

StacksOn™ is driving savings in the mining sector worth millions, and with these savings comes a reduction in energy consumption due to increases in stockyard throughput, resulting in a more efficient use of resources. By accurately modelling the stockpile, StacksOn is able to predict grade and allows miners to blend high and low spec materials to make the most out of this valuable finite resource.



# Market Outlook Infrastructure

**Our clients face a number of intricate challenges within Australia's pipeline industry amidst its transition towards hydrogen as a possible future fuel source. Verbrec is poised to seize growth opportunities and capitalise on playing a pivotal role in shaping the country's hydrogen-based energy landscape.**

The pivot towards green hydrogen production necessitates the development of efficient and sustainable methods, including electrolysis powered by renewable energy. Ensuring consistent and cost-effective production poses a significant challenge.

Adapting pipeline infrastructure to transport hydrogen requires addressing compatibility issues with existing infrastructure, materials, and safety standards, while minimizing risk and maintaining operational efficiency. Incorporating technologies for hydrogen monitoring, leak detection, and safety measures into existing pipeline systems is a complex undertaking, demanding seamless integration without compromising functionality.

As hydrogen's potential applications expand beyond energy storage to sectors like transportation and industrial processes, developing tailored solutions for diverse end uses becomes pivotal.

We leverage our expertise to design and implement green hydrogen production infrastructure that harnesses renewable energy sources, contributing to sustainable hydrogen supply.

Our long-proven capabilities in pipelines extend to adapting pipelines for hydrogen transportation, addressing compatibility challenges, implementing safety measures, and ensuring reliable and efficient distribution.

As Australia's pipeline industry navigates the intricate terrain of hydrogen transition, Verbrec is positioned to be a transformative force. By addressing challenges related to green hydrogen production, pipeline adaptation, technological integration and regulatory compliance, we contribute to shaping a sustainable and prosperous hydrogen-powered future.

Beyond pipelines, Verbrec is also playing a key role in Australia's water security and desalination efforts for Australia's critical water infrastructure.

As desalination becomes integral to water supply, developing sustainable methods, including energy-efficient processes for reduced environmental impact, poses a significant challenge.

Integrating desalination plants with existing water supply infrastructure while ensuring seamless operation and minimal disruption requires careful engineering and planning, particularly in the control systems space. Balancing desalination with other water sources while addressing the potential environmental implications of increased salinity in receiving waters is a key challenge.

We support in the balance of plant design and implementation of sustainable desalination technologies that reduce energy consumption, minimize environmental impact, and ensure long-term water resource viability. Enhancing energy efficiency across industries and sectors demands sophisticated control systems that monitor, analyse, and optimize energy consumption while reducing waste. By deploying control systems that enable real-time monitoring and adjustment of industrial processes (SCADA), we contribute to the decarbonization of key sectors while maintaining productivity.

Verbrec is currently supporting the resilience of existing assets and the overall water security of Kangaroo Island.

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**CASE STUDY: NEW SEAWATER DESALINATION PLANT PROJECT IN SOUTH AUSTRALIA**

Verbrec has been engaged to deliver the electrical, instrumentation and controls engineering, relating to the supply, manufacture, installation and commissioning of the new Penneshaw Desalination Plant 2 and new Sea Water Pumping Station located at the existing Penneshaw Desalination Plant 1. The project will support greater water security for the region and will improve drinking water accessibility for over a thousand residents, whilst providing greater bushfire resilience to the area.



**CASE STUDY: MANNUM-ADELAIDE PIPELINE - ELECTRICAL AND CONTROL SYSTEM DESIGN, SOFTWARE DEVELOPMENT AND COMMISSIONING OF THE THREE WATER PUMP STATIONS**

Verbrec delivered the electrical and control system design, software development and commissioning of the three water pump stations associated with this major pipeline. Across the three pump stations, 28 pumps required upgraded HV switchgear and new control systems. The pump stations are one of the utility’s critical supply systems, supplying water to customers across north Adelaide and along the route of the pipeline. Verbrec successfully presented a methodology that would allow the replacement of the HV switchgear within the existing switchroom, rather than a new room or building additions to accommodate the new equipment, which highlights Verbrec focus on optimising the use of existing materials and assets and reducing carbon footprint.



**CASE STUDY: FIRST NEW SOUTH WALES PIPELINE OPERATION AND MAINTENANCE CONTRACT**

Verbrec’s Infrastructure Services team has been awarded the Shoalhaven Starches Bomaderry Gas Pipeline (SSBGP) Operation and Maintenance Contract, with the pipeline located in Bomaderry, NSW. Our team has been engaged to deliver operation and maintenance services for the 6km SSBGP from the Eastern Gas Pipeline (EGP) tie in, through to the new cogeneration plant, powering the Bomaderry food production plant, and meeting the sites steam generation requirements. Our unique capabilities and position in the market, allowed us to transition from owner engineer support, through to Operational Readiness services, and subsequently resulted in the award of the Operation and Maintenance contract.

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### CASE STUDY: VERBREC PLAYS KEY ROLE IN REALIGNMENT OF NZ MAUI PIPELINE

First Gas owns and operates a network of more than 2,200 km high-pressure gas transmission pipelines across NZ, as well as gas distribution networks supplying more than 60,000 North Island businesses and homes. First Gas required support to execute two projects at different locations in North Taranaki, on the west coast of the North Island. The Gilbert Stream Realignment involved realigning the Maui Pipeline due to coastal erosion, while the Pariroa Buckle Repair project involved the removal of a temporary bypass (around a section of the Maui Pipeline impacted by landslides) and implementation of a permanent repair. Both projects required newly constructed sections of pipeline to be reconnected, or 'tied-in', to the existing Maui Pipeline.

This required the pipeline to be cut in four locations north of Taranaki, within a tight, 55 hour window to prevent a disruption to the gas supply on the upper North Island. A significant amount of preparation was made for a number of contingency scenarios, with high risk work being executed around the clock to return this critical infrastructure to service.





# Transforming assets and people for a sustainable and smarter future.



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# Directors' Report

Your Directors present their report on the consolidated entity consisting of Verbrec Limited (“Company” or “Verbrec” or “VBC”) and its controlled entities (“Group”) for the financial year ended 30 June 2023.

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## 1. DIRECTORS AND OFFICERS

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

NAME	POSITION
Mr Phillip Campbell	Independent Non-Executive Chairperson
Mr Matthew Morgan	Independent Non-Executive Director
Ms Sarah Zeljko	Independent Non-Executive Director
Mr Brian O’Sullivan AM	Non-Executive Director
Mr Linton Burns	Chief Executive Officer and Managing Director (resigned 14 March 2023)
Mr Mark Read	Chief Executive Officer (appointed 13 March 2023)
Mr Michael Casey	Chief Financial Officer (resigned 20 July 2023)
Mr Matthew Cooper	Chief Operating Officer (resigned 2 December 2022)
Mr Brad Love	Acting Chief Operating Officer (appointed 5 December 2022)
Ms Melissa Morrison	Chief People Officer (resigned 8 February 2023)
Mr Andrew Ritter	Company Secretary (resigned 24 November 2022)
Mr Joel Voss	Company Secretary (appointed 6 June 2022)

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



## 2. PRINCIPAL ACTIVITIES & REVIEW OF OPERATIONS

### 2.1 PRINCIPAL ACTIVITIES

Verbrec is a leading engineering, asset management, infrastructure, and training services provider. The Group engineers and delivers transformative solutions for the entirety of the asset lifecycle. With capabilities that range from concept design to end-of-life management, Verbrec is uniquely positioned to support and understand our client's priorities in their energy transition goals. We operate across multiple regions, including Australia, New Zealand, PNG, and the Pacific Islands, executing projects for organisations of all sizes. Embracing our diversity, agility and scalability, we bring together more than three decades of experience in engineering and operational services to the energy, infrastructure and mining sectors.

The Group is positioned to provide the following services:



**Verbrec Engineering Services** provide innovative engineering and project delivery solutions to clients – through our technical specialties, including Automation & Control, Power, Process Plant and Pipelines.



**Verbrec Asset Management Services** specialises in working with owners and operators across Australia, New Zealand and PNG to provide asset management solutions that increase efficiencies, reduce cost and improve productivity, unlocking higher value from client's assets.



**Verbrec Infrastructure** provides client full lifecycle services for project delivery from inception through to procurement and/or construction, commissioning, operations and operations.



**Verbrec Industry Training** through Competency Training (CT) and Site Skills Training (SST) delivers training and competency assurance. As one of Australia's leading providers, we run weekly high-risk work licence courses and qualifications designed to help you or your employees advance in mining, resources, oil, gas construction and engineering industries.

## 2.2 MARKET OVERVIEW AND OUTLOOK

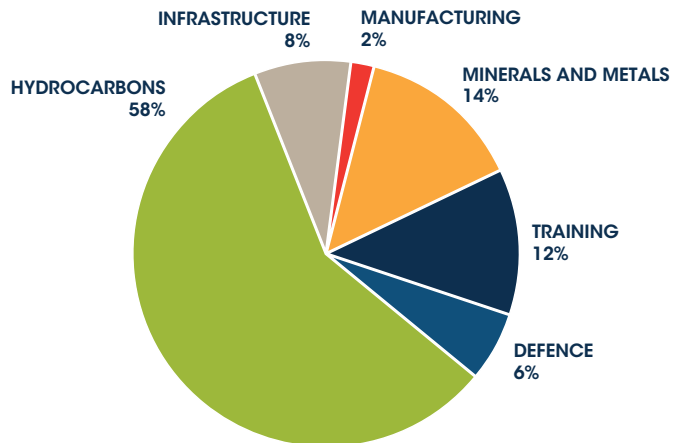
### MARKET OVERVIEW

Verbrec provides the aforementioned services predominately to three large industry sectors being energy, mining and resources, and infrastructure. Verbrec is uniquely positioned to support our clients in their net zero emissions journey by considering the assets entire life cycle. There are few businesses which can provide the breadth of service of Engineering, niche Construction, Operational Readiness, Asset Management and Training.

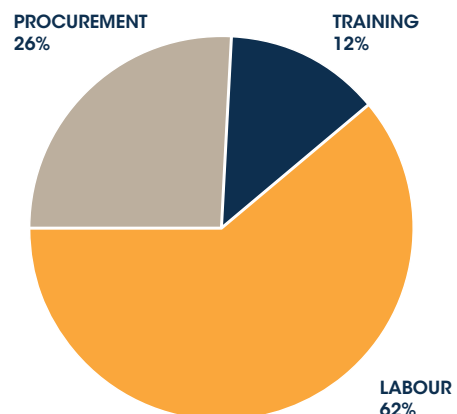
The markets in which we operate are immersed in a transitional phase in the pursuit of a net zero future where the balance between carbon footprint and energy security must be carefully managed. Verbrec's intimate knowledge of conventional energy solutions, coupled with an ever-growing capability in renewables, positions Verbrec ideally to engineer solutions which are sympathetic to these competing priorities

The split of FY2023 revenues by source and type are shown in the below charts.

#### REVENUE BY SOURCE:



#### REVENUE BY TYPE:



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## 2.2 MARKET OVERVIEW AND OUTLOOK (CONTINUED)

### MARKET OVERVIEW (CONTINUED)

#### ENERGY

Verbrec is committed to addressing and capitalising on the challenges associated with achieving net-zero emissions in the energy sector. Verbrec's approach involves a combination of innovative technologies, infrastructure enhancements, and a balanced integration of conventional and renewable energy sources including:

**Cutting-Edge Technology:** Verbrec leverages global relationships to bring cutting-edge technologies to clients. These technologies play a crucial role in enabling cleaner energy solutions and reducing emissions.

**Overhauling Energy Infrastructure:** The transition to net zero requires significant changes to existing energy infrastructure. Verbrec's extensive experience in conventional energy allows new design and implementation solutions that accommodate renewable energy sources while maintaining energy security.

**Balanced Approach:** Verbrec acknowledges the importance of a balanced approach that combines conventional and renewable energy sources. This approach is expected to continue over the next decade as the energy industry works toward a more sustainable future.

**Intermittent Renewable Energy:** Addressing the intermittent nature of renewable energy sources is a challenge. Verbrec focuses on designing intelligent energy storage systems that help mitigate the impact of supply fluctuations.

**Redesigning Energy Infrastructure:** Verbrec specialises in redesigning and enhancing energy infrastructure to seamlessly integrate renewable energy sources. Our expertise ensures a smooth and efficient transition aligned with environmental goals.

**Workforce Displacement:** The shift to net zero can lead to workforce displacement in the fossil fuel-dependent sector. Verbrec acknowledges this challenge and offers tailored workforce training programs to equip personnel with the skills needed for evolving roles in the net-zero era.

#### MINING AND RESOURCES

There are multi-faceted challenges faced by the mining and resources sector as it strives to adopt sustainable practices. Verbrec's commitment to engineering excellence and innovative solutions positions it as a strategic partner as companies transform. Our approach involves the following:

**Environmental Responsibility and Transformation:** The mining industry's move towards environmental responsibility presents complex challenges that require innovative solutions. Verbrec's engineering excellence makes it a valuable partner for mining companies on this transformative journey.

**Minimising Environmental Footprint:** Mining processes can have a significant impact on ecosystems. Companies are challenged to minimise their environmental footprint while adhering to strict regulatory frameworks.

**Sustainable Resource Extraction:** The depletion of natural resources underscores the need for sustainable extraction and transportation methods, as well as improved resource utilisation. Mining companies must optimise operational efficiency while reducing resource consumption.

**Technology Adoption for Efficiency:** Advanced technologies play a crucial role in improving operational efficiency and reducing the environmental impact throughout the supply chain. Verbrec utilises its capabilities in hydro-transport, automation, controls and 3D modelling software (StacksOnTM) to support clients in decarbonising their operations and improving water stewardship.

**Decarbonising Transportation:** As a leader in slurry pipelines, Verbrec contributes to decarbonising the transportation of magnetite ore. This includes developing cost models for shared infrastructure that aims to reduce the carbon footprint associated with ore delivery.

**Process Automation and Software Solutions:** Verbrec provides cutting-edge solutions in process automation and software to help mining companies increase productivity while minimising resource consumption. Integration of technologies like IoT (Internet of Things) and automation enhances decision-making, reduces downtime and lowers carbon footprint.

**Innovative Training:** Verbrec's training business unit transforms training delivery in the mining sector by creating safe virtual environments for training activities. This unit has contributed to the development of innovative equipment such as the ToolTek Vehicle used on mine sites.

#### INFRASTRUCTURE

Verbrec is ready to address the complex challenges facing Australia's pipeline industry during its transition to hydrogen as a future fuel source and to continue our existing efforts in water security.

**Green Hydrogen and Pipelines:** Verbrec leverages our expertise to design and implement green hydrogen production infrastructure that utilises renewable energy sources for sustainable hydrogen supply. Our proven capabilities in pipeline management extend to adapting pipelines for hydrogen transportation, addressing compatibility issues, ensuring safety and maintaining reliable distribution.

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## 2.2 MARKET OVERVIEW AND OUTLOOK (CONTINUED)

### MARKET OVERVIEW (CONTINUED)

**Desalination:** Verbrec contributes to sustainable desalination efforts by implementing energy-efficient processes, minimising environmental impact and ensuring long-term water resource viability.

**Cutting-Edge Technology:** Our deployment of sophisticated control systems like SCADA (Supervisory Control and Data Acquisition) optimises energy consumption and waste reduction, contributing to decarbonisation while maintaining productivity.

**Resilience and Water Security:** Verbrec is involved in supporting the resilience of existing assets and enhancing water security on Kangaroo Island.

### OUTLOOK

With the three legacy poor performing projects no longer negatively impacting the future performance of the Group, coupled with the markets in which the Group operates remaining strong, Verbrec is well positioned to prosper going forward.

Our work-in-hand and pipeline are still very strong with significant opportunities for growth in renewables, defence, asset management and infrastructure services. Continuing tight labour markets within Australia and New Zealand provide an opportunity for training student numbers to increase as students look to retrain and keep their existing qualifications current.

Verbrec intends to continue commercialisation of our technology product StacksOn™ which is currently being used across specific BHP Western Australia Iron Ore stock-piles. The StacksOn™ product provides a recurring high margin revenue stream and is actively being marketed to a number of other iron ore miners in Western Australia. The technology isn't just confined to iron ore stock-piles but can be used on any stock-pile whereby variable grades are a component.

In the immediate term, we intend to build awareness of the Verbrec brand. The Verbrec brand, whilst only 3 years old, is building awareness but lacks recognition in the marketplace when compared to our larger, more mature and established competitors. Our plan in the short term is to increase brand recognition in our key markets through strategic advertising partnerships with industry publishers and increase brand awareness through attendance, presenting and sponsorship of relevant industry conferences and seminars. This will result in Verbrec becoming a supplier of choice and further expand the number of Master Service Agreements the Group currently has signed with clients.

Finally, as per prior years, our strategy remains to identify and pursue merger and acquisition opportunities. We will continue to seek and examine potential mergers and acquisitions that fit within our existing core markets, service offerings and geographies. All mergers and acquisitions will need to demonstrate that they will be earnings per share accretive to our shareholders.

## 2.3 SIGNIFICANT RISKS

### MARKET RISKS

Operating in our markets brings specific risks, including commodity price fluctuations, geopolitical tensions, regulatory changes and environmental concerns. We closely monitor global energy trends, diversify our revenue streams across different sources and invest in our people and assets to enhance operational efficiency and minimise impact. Our training business would be impacted should lockdowns occur in the future.

Renewable energy is a fast-growing market that presents both opportunities and risks. The renewable sector is influenced by factors such as policy support, technological advancements, and market competition. Changes in government incentives, regulatory frameworks, or public perception can impact the viability of renewable projects. We actively monitor market developments, foster collaborations with technology providers, and stay informed about emerging trends to capitalise on renewable energy opportunities while managing associated risks effectively.

The shortage of skilled labour in both Australia and New Zealand continues to be a risk for the Group as COVID-19 impacted immigration in prior years. The Group has various strategies in place to mitigate the risk and ensure the Group continues to attract and retain quality staff. The skills shortage continues to be an opportunity for the training business as labour has the potential to retrain in new qualifications.

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



## 2.3 SIGNIFICANT RISKS (CONTINUED)

### MARKET RISKS (CONTINUED)

#### REGULATORY RISKS

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

#### LITIGATION AND INDUSTRY RISKS

In the course of its business, the Group is exposed to potential legal and other claims or disputes, including litigation from employees, regulators or third parties. Further, the engineering industry in which the Group 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 Group. Appropriate insurances are held by the Group.

#### GEOGRAPHIC RISKS

The Group has a diversified geographic footprint with operations across Australia and New Zealand, and the Group also executes projects in Papua New Guinea and the Pacific Islands. The work outside of Australia and New Zealand presents some risks in terms of safety during visits but these are well managed and mitigated.

The Group's business is predominantly based on serving the mining and mineral processing, hydrocarbons (oil & gas and chemicals) and infrastructure (particularly water) industries. As such the Group's business would be impacted if there was a deterioration in demand for engineering services, asset management, infrastructure 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 generate earnings and to make interest and principal repayments on its debt. Contract performance failure may lead to services not being delivered on time or according to budget resulting in financial loss, reputational damage and the inability or reduced ability to secure future work.

Availability of suitable financing facilities is also important to the Group. During August 2022, the Group entered into a new financing agreement with Westpac Banking Corporation. It was noted that as at 30 June 2023 covenants related to the Westpac financing were in breach. However, the directors do not believe this will impact access to financing for FY2024.

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

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

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

## 2.4 ENVIRONMENTAL REGULATION AND PERFORMANCE

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

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

## 2.5 AFTER BALANCE DATE EVENTS

The directors are not aware of any 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.

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### 3. REVIEW OF FINANCIAL PERFORMANCE

#### 3.1 FINANCIAL PERFORMANCE OVERVIEW

A summary of the Group's operating results for the year ended 30 June 2023 is below:

	<b>2023</b>	2022
	<b>\$'000</b>	\$'000
<b>Revenue</b>	<b>118,188</b>	121,392
Earnings before interest, tax, depreciation, amortisation and impairment ("EBITDAI")	<b>(651)</b>	2,992
<b>Loss before tax</b>	<b>(9,954)</b>	(3,433)
Income tax benefit/(expense)*	<b>430</b>	296
<b>Loss for the year attributable to equity holders in the Company</b>	<b>(9,524)</b>	(3,137)
EBITDAI/ EBITDA Normalised (\$'000)	<b>4,342</b>	10,128

\* No tax payable in Australia since Verbrec Limited has accumulated tax losses totalling \$38.5 million (FY2022: \$29.9 million).

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

	<b>2023</b>	2022
	<b>\$'000</b>	\$'000
<b>Loss for the year attributable to equity holders in the Company</b>	<b>(9,524)</b>	(3,137)
Income tax (benefit)/expense	<b>(430)</b>	(296)
<b>Loss before tax</b>	<b>(9,954)</b>	(3,433)
Add:		
- Finance cost	<b>905</b>	693
- Depreciation and amortisation	<b>4,224</b>	4,866
- Credit loss on contract assets	<b>2,764</b>	-
- Impairment charge on Goodwill	<b>1,410</b>	866
<b>EBITDAI</b>	<b>(651)</b>	2,992
<b>Normalisations</b>		
Other one-offs	<b>1,462</b>	402
3 material loss making jobs	<b>3,531</b>	6,734
<b>EBITDAI/EBITDA Normalised</b>	<b>4,342</b>	10,128

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### 3.1 FINANCIAL PERFORMANCE OVERVIEW (CONTINUED)

The Group's financial results for FY2023 compared to the financial results for FY2022 are as follows:

- Revenue of \$118.2 million, down from revenue of the Group of \$121.4 million for the 2023 financial year;
- EBITDAI of (\$0.7 million), down from an EBITDAI of the Group of \$3.0 million for the 2023 financial year;
- EBITDAI as a percentage of revenue at 0.6%, down from a percentage of the Group of 2.5% for the 2023 financial year;
- Loss before tax of \$10 million, up from a loss before tax of the Group of \$3.4 million for the 2023 financial year; and
- Loss after tax of \$9.5 million, up from a loss after tax of the Group of \$3.1 million for the 2023 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 \$3.9 million (2022: inflow of \$3.1 million).

### 3.3 STATEMENT OF FINANCIAL POSITION

The Group's total assets reduced to \$54 million in 2023 (2022: \$62.1 million). The end of year cash balance of \$4.5 million decreased from \$6.4 million in 2022.

The net assets of the Group decreased to \$13 million at 30 June 2023 (2022: \$22.5 million).

The Group's total liabilities increased to \$41 million at 30 June 2023 (2022: \$39.5 million), due to increases in borrowings, and trade and other payables, partly offset by reductions in contract liabilities, lease liabilities and employee benefits.

On the 25th of August, 2022 the Group's financing facilities transferred from the National Australia Bank to the Westpac Banking Corporation. As at 30 June 2023, the Group had utilised a total of \$4.5 million of the \$9.0 million limit of its Flexible-Option Facility with Westpac and \$0.62 million of the \$1.5 million limit of its equipment finance facility. In addition, the Group drew down \$6.2 million in bank loans.

It was noted that as at 30 June 2023 covenants related to the Westpac financing were in breach. However, the directors do not believe this will impact access to financing for FY2024.

### 3.4 DIVIDENDS

Verbrec Limited did not declare any dividend in the 2023 financial year, or after the end of the financial year (FY2022: \$Nil).

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## 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 has significant experience in expanding and developing businesses.
Special responsibilities	Chairperson of the Board Chairperson of the Nomination & Remuneration Committee Member of the Board Proposal Approval (Projects) Committee (Chair until 25 March 2022) Member of the Audit & Risk Committee
Directorships of other listed companies (current or held within the last 3 years)	Fleetwood Corporation Limited (ASX:FWD) – resigned on 26 February 2021 Vmoto Limited (ASX:VMT) – resigned on 4 November 2020
Interests in the Company	678,000 ordinary shares

Mr Matthew Morgan

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

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## 4.1 INFORMATION ON CURRENT DIRECTORS (CONTINUED)

Ms Sarah Zeljko

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

Mr Brian O'Sullivan AM

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

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## 4.2 INFORMATION ON CURRENT OFFICERS

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

Mr Mark Read

TITLE	CHIEF EXECUTIVE OFFICER
Details	Appointed 13 March 2023
Qualifications	Bachelor of Engineering (Electrical) (Hons.1), University of Queensland, 1981 Advanced Management Program, Harvard Business School, 2000 Directors Course Diploma, Australian Institute of Company Directors, 2009
Experience	A results focused senior executive business leader, CEO and Board director with a proven record of successfully establishing, transforming, acquiring and growing businesses to improve profitability, enable international expansion and achieve sustained growth. Over 30 years' experience across publicly listed and privately held global engineering service companies with roles ranging from global enterprise management, engineering, project management and in turnkey construction through to operations and maintenance in a wide range of industries including Mining, Power, Environment, Water, and Infrastructure.
Special responsibilities	Member of the Board Proposal Approval (Projects) Committee
Interests in the Company	94,149 Ordinary Shares

Mr Michael Casey

TITLE	CHIEF FINANCIAL OFFICER
Details	Appointed 12 February 2020 (resigned 20 July 2023)
Qualifications	B. Business (Accy) – Queensland University of Technology, Chartered Accountant ANZ, Graduate Member of the Australian Institute of Company Directors (GAICD)
Experience	Michael is an Australian Chartered Accountant with over 25 years' senior finance experience. Prior to joining Verbrec, Michael held senior finance and commercial positions in companies including FLSmidth, Ausenco Ltd and Cardno Ltd and he has significant listed entity experience. Michael is responsible for all of Verbrec's finance functions and other Corporate Services including Legal, Contracts & Procurement and ICT.
Special responsibilities	N/A
Interests in the Company	2,440,000 performance rights

Mr Richard Aden

TITLE	INTERIM CHIEF FINANCIAL OFFICER
Details	Appointed 1 August 2023
Qualifications	CPA (Certified Practising Accountant – Australia); ACMA (Chartered Management Accountant)
Experience	Richard is an Australian Certified Practising Accountant (CPA) and UK Chartered Management Accountant (ACMA). Richard has over 25 years' experience in senior financial and commercial positions within International and ASX listed entities. Richard will assume the responsibilities for all of Verbrec's finance functions and other Corporate Services including Legal, Contracts and Procurement and ICT.
Special responsibilities	N/A
Interests in the Company	Nil.

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4.2 INFORMATION ON CURRENT OFFICERS (CONTINUED)

Mr Brad Love

<b>TITLE</b>	<b>ACTING CHIEF OPERATING OFFICER</b>
Details	Appointed 5 December 2022
Qualifications	B. Engineering Mechanical (Hons 1st Class) Queensland University of Technology
Experience	Brad has 21 years experience across a variety of industry sectors including, manufacturing, infrastructure, petrochemical and Oil & Gas, primarily in complex brownfield sustaining capital, both client side and consultant side for Santos, Oil Search PNG, Origin, Incitec Pivot, Dyno Nobel, Amcor, Orrcon and others. Brad joined LogiCamms in 2012 and has since successfully managed multiple portfolios for Santos, Oil Search and Incitec Pivot. With a passion for continuous improvement and the elimination of waste, over the past 3 years Brad was accountable for the implementation of Verbrec's new ERP system and more recently has been redeveloping Project Delivery Systems and Processes.
Special responsibilities	N/A
Interests in the Company	Nil.

Mr Joel Voss

<b>TITLE</b>	<b>COMPANY SECRETARY</b>
Details	Joint Company Secretary (appointed 6 June 2022, resigned 24 November 2022) Company Secretary (appointed 24 November 2022)
Qualifications	Master of Business Administration (Central Queensland University), Affiliate Member of Governance Institute of Australia GIA
Experience	Joel has over 15 years of contracts, procurement and commercial management experience and in addition to his Company Secretarial duties is the Contracts and Procurement Manager for Verbrec Limited and its associated subsidiary companies. Joel joined OSD Pty Ltd in 2016 and has contributed to the award and success of many major projects, was actively involved in the acquisition of EIM and the asset acquisition of Site Group International, provides commercial guidance to key company stakeholders and acts as the main conduit between the company and its various legal advisers, insurers and regulators.
Special responsibilities	N/A
Interests in the Company	181,745 ordinary shares 232,250 performance rights

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### 4.3 MEETINGS OF DIRECTORS

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

DIRECTOR	BOARD MEETINGS		AUDIT & RISK COMMITTEE MEETINGS		NOMINATION AND REMUNERATION COMMITTEE MEETINGS		BOARD PROPOSAL APPROVAL COMMITTEE MEETINGS	
	A	H	A	H	A	H	A	H
Phillip Campbell	20	20	4	4	2	2	1	1
Matthew Morgan	18	20	4	4	2	2	-	-
Sarah Zeljko	20	20	4	4	2	2	1	1
Brian O'Sullivan	20	20	4	4	2	2	1	1
Linton Burns ^	9	11#	2	0^	2	0^	1	1

A - Number of meetings attended.

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

^ - Linton Burns attended as an invitee however is not a member of the Audit and Risk Committee or the Nomination and Remuneration Committee.

# Linton Burns resigned as a Director of the Company on 14 March 2023.

The following former directors and officers resigned throughout the FY2023 year:

- Linton Burns resigned as Managing Director and Chief Executive Officer on 14 March 2023.
- Matthew Cooper resigned as Chief Operating Officer on 2 December 2022.
- Melissa Morrison resigned as Chief People Officer on 8 February 2023.
- Andrew Ritter resigned as Joint Company Secretary on 24 November 2022.

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## 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 \$277,936 (2022: \$196,500) in respect of directors' and officers' liability insurance policies. Verbrec has agreed to reimburse Grant Thornton for any liability (including reasonable legal costs) that Grant Thornton incur in connection with any claim by a third party arising from a breach by Verbrec Limited of its agreement with Grant Thornton.

## 6. CORPORATE GOVERNANCE STATEMENT

Verbrec Limited and the Board are committed to achieving and demonstrating the highest standard of corporate governance. Verbrec Limited reviews its corporate governance practices annually against the Corporate Governance Principles and Recommendations published by the ASX Corporate Governance Council and in line with the ASX Listing Rules. The 2023 Corporate Governance Statement is dated as at 30 June 2023 and reflects the corporate governance practices in place throughout the FY2023 financial year. The 2023 Corporate Governance Statement was approved by the Board on 29 August 2023.

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

## 7. REMUNERATION REPORT - AUDITED

The Directors present the Verbrec Limited remuneration report, which has been audited, for the financial year ended 30 June 2023, 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.

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## 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 2023, and continue to have going into FY2024. 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 FY2023, and continuing (unless noted as resigned), are:

NAME	POSITION
Phillip Campbell	Chairperson & Independent Non-Executive Director
Matthew Morgan	Independent Non-Executive Director
Sarah Zeljko	Independent Non-Executive Director
Brian O'Sullivan	Non-Executive Director
Linton Burns	Managing Director & Chief Executive Officer (resigned 14 March 2023)

### OTHER KEY MANAGEMENT PERSONNEL

The key management personnel who are not directors for Verbrec Limited for FY2023, and continuing (unless noted as resigned), are:

NAME	POSITION
Mark Read	Chief Executive Officer (appointed 13 March 2023)
Michael Casey	Chief Financial Officer (resigned 20 July 2023)
Matthew Cooper	Chief Operating Officer (resigned 2 December 2022)
Brad Love	Acting Chief Operating Officer (appointed 5 December 2022)
Melissa Morrison	Chief People Officer (resigned 8 February 2023)

## 7.2 REMUNERATION GOVERNANCE

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

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

The Committee engaged the services of an independent remuneration consultant (Godfrey Remuneration Group Pty Limited) during the financial year to review the existing long term incentive plan.

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## 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:
  - i. Short Term Incentive (STI) – payable in cash. Entitlement to any STI is based on Verbrec's financial and operational performance over FY2023, in addition to individual performance measures; and
  - ii. Long Term Incentive (LTI) – the performance rights plan was developed during FY2021 and approved by the Company's Shareholders at the Annual General Meeting held on 27 November 2020.

### 7.3.1 SHORT-TERM INCENTIVES

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

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

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

A strict interpretation of the STI rules for FY2023 resulted in the Committee determining that no STI was payable in respect of FY2023 under those rules. However, in consideration of performance, the Board has determined to make discretionary STI payments as disclosed in 7.3.4.

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### 7.3.2 LONG-TERM INCENTIVES

During FY2023, a total of 2,053,500 (FY2022: 3,168,750) performance rights were issued to Key Management Personnel under the plan approved by the Company's Shareholders at the Annual General Meeting held on 27 November 2020.

Performance Rights held by Key Management Personnel are as follows:

KMP	GRANT DATE	NUMBER GRANTED	VESTED	OUTSTANDING AT 30 JUNE 2023
Linton Burns	27/11/2020	1,968,750	-	1,968,750 <sup>#</sup>
Linton Burns	26/11/2021	1,968,750	-	1,968,750
Michael Casey	21/11/2020	800,000	-	800,000 <sup>#</sup>
Michael Casey	20/12/2021	800,000	-	800,000
Michael Casey	3/04/2023	840,000	-	840,000
Matthew Cooper	20/12/2021	400,000	-	400,000

<sup>#</sup> The Vesting Period for the Performance Rights granted throughout FY2021 ended on 30 June 2023. Assessment of the Vesting Conditions of the FY2021 tranches of Performance Rights has not taken place as at the reporting date. In accordance with a Board resolution the assessment of the Vesting Conditions is scheduled to place within 30 business days after the publication of the Annual Report for the financial year ending 30 June 2023.

The key terms of the issues are as follows:

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

FINANCIAL YEAR	TRANCHE	GRANT DATE	END OF MEASUREMENT PERIOD	GRANT DATE VALUE
FY2021	1	27/11/2020	30/6/2023	\$0.055
FY2021	2	21/12/2020	30/6/2023	\$0.076
FY2022	1	26/11/2021	30/6/2024	\$0.023
FY2022	2	15/12/2021	30/6/2024	\$0.020
FY2022	3	16/12/2021	30/6/2024	\$0.020
FY2022	4	20/12/2021	30/6/2024	\$0.028
FY2023	5	03/04/2023	30/06/2025	\$0.024

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

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

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

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

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### 7.3.2 LONG-TERM INCENTIVES (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.

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).

The Exercise Price for Performance Rights is nil.

**Vesting and Vesting Date**

**Exercise Price**

### 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 FY2023 as a percentage of total potential remuneration:

NAME	TITLE	FIXED REMUNERATION (TFR)	STI (MAXIMUM) % OF TFR	LTI (MAXIMUM) % OF TFR
Mark Read <sup>1</sup>	Chief Executive Officer (appointed 13 March 2023)	424,708	nil	nil
Linton Burns <sup>2</sup>	Managing Director & Chief Executive Officer (resigned 14 March 2023)	428,306	50%	70%
Michael Casey	Chief Financial Officer (resigned 20 July 2023)	310,708	25%	40%
Matthew Cooper	Chief Operating Officer (resigned 2 December 2022)	298,306	25%	20%
Brad Love	Acting Chief Operating Officer (appointed 5 December 2022)	270,000	nil	N/A
Melissa Morrison	Chief People Officer (resigned 8 February 2023)	225,000	20%	20%

<sup>1</sup> Mark Read was not eligible for STI or LTI in FY2023. In FY2024 the maximum contractual percentages are 50% STI and 70% LTI.

<sup>2</sup> No remuneration was awarded as an LTI to Linton Burns in FY2023.

On 1 July 2023, the superannuation component of the fixed remuneration has been increased in line with the legislated superannuation guarantee increase (11%) up to the maximum contribution base.

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### 7.3.4 DISCRETIONARY STIS AWARDED

In consideration of performance, a discretionary STI of \$0.025 million was awarded to Mark Read and \$0.015 million was awarded to Michael Casey (FY2022: \$0.025 million was paid to Michael Casey).

### 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 2023.

	<b>2023</b> <b>\$'000</b>	2022 \$'000
EBITDAI(\$'000)	<b>(651)</b>	2,992
EBITDAI Normalised (\$'000)	<b>4,342</b>	10,128
EBIT(\$'000)	<b>(9,049)</b>	(2,740)
Basic earnings per share (cents per share)	<b>(4.3)</b>	(1.4)
Diluted earnings per share (cents per share)	<b>(4.3)</b>	(1.4)

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## 7.4 KMP REMUNERATION

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Name	Year	Fixed remuneration				Variable remuneration				Total	Proportion of remuneration performance related		Value of options and Rights as proportion of remuneration	
		Salary & Fees	Non-monetary benefits	Annual and long service leave <sup>2</sup>	Post-employment benefits	Termination benefits	STI Cash Bonus <sup>3</sup>	Performance Rights <sup>4</sup>	\$		%	%	%	
<b>Non-Executive Directors</b>														
Phillip Campbell	FY23	120,000	-	-	-	-	-	-	-	120,000	-	-	-	-
	FY22	120,000	-	-	-	-	-	-	-	120,000	-	-	-	-
Sarah Zeiljko	FY23	75,000	-	-	-	-	-	-	-	75,000	-	-	-	-
	FY22	75,000	-	-	-	-	-	-	-	75,000	-	-	-	-
Brian O'Sullivan	FY23	195,000	-	-	-	-	-	-	-	195,000	-	-	-	-
	FY22	195,000	-	-	-	-	-	-	-	195,000	-	-	-	-
Matthew Morgan	FY23	75,000	-	-	-	-	-	-	-	75,000	-	-	-	-
	FY22	75,000	-	-	-	-	-	-	-	75,000	-	-	-	-
<b>Total Non-Executive Director Remuneration</b>	<b>FY23</b>	<b>465,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>465,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	FY22	465,000	-	-	-	-	-	-	-	465,000	-	-	-	-
<b>Executive Directors</b>														
Linton Burns (resigned 14 March 2023)	FY23	458,578	577	7,148	25,292	-	-	-	-	491,595	44,981	8.76	8.76	8.76
	FY22	428,306	223	16,434	23,568	-	-	-	-	513,512	44,981	8.76	8.76	8.76
<b>Total Executive Directors</b>	<b>FY23</b>	<b>458,578</b>	<b>577</b>	<b>7,148</b>	<b>25,292</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>491,595</b>	<b>44,981</b>	<b>8.76</b>	<b>8.76</b>	<b>8.76</b>
	FY22	428,306	223	16,434	23,568	-	-	-	-	513,512	44,981	8.76	8.76	8.76
<b>Executives</b>														
Mark Read (appointed 13 March 2023)	FY23	135,247	108	11,380	7,782	-	-	-	-	179,517	25,000	13.93	-	-
	FY22	-	-	-	-	-	-	-	-	-	-	-	-	-
Michael Casey	FY23	333,054	2,076	10,150	25,083	-	-	-	-	405,103	15,000	8.58	4.87	5.72
	FY22	298,306	1,864	16,660	23,568	-	-	-	-	387,574	25,000	12.17	-	-
Matt Cooper (resigned 2 December 2022)	FY23	156,069	-	24,126	10,944	-	-	-	-	191,139	-	-	-	-
	FY22	298,306	-	(2,568)	23,568	-	-	-	-	330,404	11,088	3.36	-	-
Brad Love (appointed 5 December 2022)	FY23	136,471	-	6,927	13,735	-	-	-	-	157,133	-	-	-	-
	FY22	-	-	-	-	-	-	-	-	-	-	-	-	-
Melissa Morrison (resigned 8 February 2023)	FY23	146,411	-	4,258	14,883	-	-	-	-	165,552	-	-	-	-
	FY22	37,211	-	266	3,721	-	-	-	-	41,199	-	-	-	-
<b>Total Executives</b>	<b>FY23</b>	<b>907,252</b>	<b>2,184</b>	<b>56,841</b>	<b>72,426</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,098,444</b>	<b>40,000</b>	<b>5.47</b>	<b>1.81</b>	<b>4.63</b>
	FY22	633,823	1,864	14,368	50,857	-	-	-	-	759,176	25,000	8.11	8.11	8.11

1. Salary payments includes only paid leave entitlements.

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

(b) Sarah Zeiljko 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.

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

3 a. Mark Read received a discretionary payment of \$25,000 inclusive of superannuation in relation to FY23

3.b. Michael Casey received a discretionary payment of \$15,000 in relation to FY23. to be paid in FY24

4. Share based payments expense accrual for performance rights based on the service condition totalled \$nil (FY22 - \$44,981) for Linton Burns, \$19,740 (FY22 - \$22,176) for Michael Casey and \$0 (FY22 - \$11,088) for Matt Cooper



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

NAME	POSITION	NOTICE PERIOD	NON- MONETARY BENEFITS
Mark Read	Chief Executive Officer (appointed 13 March 2023)	12 months	Car park, mobile phone
Linton Burns	Managing Director & Chief Executive Officer (resigned 14 March 2023)	12 months	Car park, mobile phone
Michael Casey	Chief Financial Officer	3 months	Car park, mobile phone
Matthew Cooper	Chief Operating Officer (resigned 2 December 2022)	6 months	Car park, mobile phone
Brad Love	Acting Chief Operating Officer (appointed 5 December 2022)	5 Weeks	Mobile phone
Melissa Morrison	Chief Operating Officer (resigned 8 February 2023)	3 months	Car park, mobile phone

## 7.6 NON-EXECUTIVE DIRECTOR ARRANGEMENTS

### REMUNERATION POLICY

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

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

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

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

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

\* Under Brian O'Sullivan's contract, he is entitled to success fees in relation to designated major projects and merger and acquisition transactions introduced to Verbrec in his role as Development Advisor. No fees were paid or accrued for FY2023 (FY2022: No fees were paid or accrued).

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

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## 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 2022 ("SOFY")	PURCHASED	BALANCE AT 30 JUNE 2023 ("EOFY")
Brian O'Sullivan <sup>1</sup>	69,410,779	-	69,410,779
Linton Burns	6,001,844	-	6,001,844
Mark Read	0	94,149	94,149
Phillip Campbell <sup>1</sup>	580,000	98,000	678,000
Matthew Morgan <sup>1</sup>	449,633	-	449,633

<sup>1</sup> Shares purchased/(sold) on and off market during the year. Other than disclosed above, the number of ordinary shares in the Company held directly, indirectly or beneficially, by other KMPs is Nil at 30 June 2023, there is no movement during FY2023.

## 7.8 OPTIONS AND PERFORMANCE RIGHTS

In the reporting period there were no options issued or exercised by the Company (FY2022 options exercised: 1,062,273)

Details of the performance rights 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 22 November 2022, Verbrec Limited received approximately 99% of the votes cast in favour of the resolution adopting the remuneration report for the 2022 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.***

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## 8. NON-AUDIT SERVICES

During the year Grant Thornton, the Group’s auditor, provided non-audit services. The non-audit services provided by Grant Thornton consisted of tax compliance services and other assurance services in the amount of \$104,659.

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

- The non-audit services did not impact the impartiality and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

Details of the amounts paid to the auditor of the Group, Grant Thornton, and its related practices for audit and non-audit services provided during the year are set out in note 4(i) 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 54.

## 11. ROUNDING OF AMOUNTS

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

## 12. RESOLUTION APPROVING DIRECTORS’ REPORT

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

**Phillip Campbell**

**Chairperson**

Brisbane

30 August 2023

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**Grant Thornton Audit Pty Ltd**

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## Auditor's Independence Declaration

### To the Directors of Verbrec Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Verbrec Limited for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been:

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

Grant Thornton Audit Pty Ltd  
Chartered Accountants

CDJ Smith  
Partner – Audit & Assurance

Brisbane, 30 August 2023

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Verbrec Limited  
ABN 90 127 897 689

**Current Reporting Period**

**Financial Year ended 30 June 2023**

Previous Corresponding Period

Financial Year ended 30 June 2022

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**VERBREC LIMITED**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2023**

	Notes	2023 \$'000	2022 \$'000
Revenue	4(a)	<b>118,188</b>	121,392
Cost of providing services	4(e)	<b>(87,779)</b>	(86,000)
<b>Gross profit</b>		<b>30,409</b>	35,392
Other income	4(b)	<b>516</b>	636
Impairment charge on Goodwill	8(c)	<b>(1,410)</b>	(866)
Provision for impairment of contract assets		<b>(2,764)</b>	-
Other operating expenses	4(d)	<b>(35,800)</b>	(37,902)
<b>Loss from operating activities</b>		<b>(9,049)</b>	(2,740)
Finance (expense)/income	4(c)	<b>(905)</b>	(693)
<b>Loss before income tax</b>		<b>(9,954)</b>	(3,433)
Income tax benefit/(expense)	4(f)	<b>430</b>	296
<b>Loss for the year attributable to owners of the Company</b>		<b>(9,524)</b>	(3,137)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss</i>			
Foreign currency translation differences		<b>(8)</b>	(88)
<b>Other comprehensive income for year, net of tax</b>		<b>(8)</b>	(88)
<b>Total comprehensive loss for the year attributable to owners of the Company</b>		<b>(9,532)</b>	(3,225)
<b>Earnings per share</b>			
<b>Basic earnings per share (cents per share)</b>	4(g)	<b>(4.3)</b>	(1.4)
Diluted earnings per share (cents per share)	4(g)	<b>(4.3)</b>	(1.4)

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



**VERBREC LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2023**

	Notes	2023 \$'000	2022 \$'000
<b>Assets</b>			
Cash and cash equivalents	5(a)	4,461	6,415
Trade and other receivables	5(b)	17,102	18,579
Contract assets	5(b)	5,804	6,879
Current tax assets	4(f)	263	140
<b>Total current assets</b>		<b>27,630</b>	32,013
Property, plant and equipment	6(a)	1,476	1,532
Right-of-Use Assets	6(b)	4,799	6,425
Deferred tax assets	4(f)	7,606	7,485
Intangible assets	6(c)	12,566	14,612
<b>Total non-current assets</b>		<b>26,447</b>	30,054
<b>Total assets</b>		<b>54,077</b>	62,067
<b>Liabilities</b>			
Trade and other payables	5(c)	14,667	14,425
Contract liabilities	5(d)	6,022	7,074
Borrowings	5(g)	6,780	680
Lease liabilities	6(b)	2,727	2,482
Other financial liabilities	12	916	605
Current tax liability	4(f)	-	269
Employee benefits	5(e)	4,831	5,688
Provisions	5(f)	870	588
<b>Total current liabilities</b>		<b>36,813</b>	31,811
Employee benefits	5(e)	643	694
Borrowings	5(g)	-	57
Lease liabilities	6(b)	3,359	5,267
Other financial liabilities	12	-	1,161
Provisions	5(f)	221	552
<b>Total non-current liabilities</b>		<b>4,223</b>	7,731
<b>Total liabilities</b>		<b>41,036</b>	39,542
<b>Net assets</b>		<b>13,041</b>	22,525
<b>Equity</b>			
Share capital	7(a)	24,267	24,267
Reserves	7(b)	266	226
Retained earnings		(11,492)	(1,968)
<b>Total equity attributable to owners of the Company</b>		<b>13,041</b>	22,525

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



**VERBREC LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2023**

	Attributable to owners of Verbrec				
	Share Capital	Reserves	Retained earnings	Total	
	Notes	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2021		24,134	203	1,169	25,506
Loss for the year		-	-	(3,137)	(3,137)
Other comprehensive income		-	(88)	-	(88)
Total comprehensive income for the year		-	(88)	(3,137)	(3,225)
Exercise of Options		133	-	-	133
Share based payment expense		-	111	-	111
Balance at 30 June 2022		24,267	226	(1,968)	22,525
<b>Balance at 1 July 2022</b>		<b>24,267</b>	<b>226</b>	<b>(1,968)</b>	<b>22,525</b>
<b>Loss for the year</b>		<b>-</b>	<b>-</b>	<b>(9,524)</b>	<b>(9,524)</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>(8)</b>	<b>-</b>	<b>(8)</b>
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>(8)</b>	<b>(9,524)</b>	<b>(9,532)</b>
<b>Exercise of Options</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Share based payment expense</b>	<b>7(b)</b>	<b>-</b>	<b>48</b>	<b>-</b>	<b>48</b>
<b>Balance at 30 June 2023</b>		<b>24,267</b>	<b>266</b>	<b>(11,492)</b>	<b>13,041</b>

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

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**VERBREC LIMITED**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2023**

	Notes	2023 \$'000	2022 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (including GST)		<b>128,809</b>	134,830
Payments to suppliers and employees (including GST)		<b>(131,977)</b>	(131,177)
		<b>(3,168)</b>	3,653
Interest received		<b>53</b>	5
Interest paid		<b>(795)</b>	(531)
Income taxes paid		-	(68)
<b>Net cash inflow/ (outflow) from operating activities</b>	5(a)	<b>(3,910)</b>	3,059
<b>Cash flow from investing activities</b>			
Proceeds from sale of property, plant and equipment		<b>97</b>	71
Cash settlement of contingent consideration		<b>(558)</b>	-
Acquisition of property, plant and equipment and intangibles		<b>(808)</b>	(957)
<b>Net cash outflow from investing activities</b>		<b>(1,269)</b>	(886)
<b>Cash flow from financing activities</b>			
Proceeds from issue of shares	7(a)	-	133
Proceeds from borrowings	5(g)	<b>9,413</b>	2,061
Repayment of borrowings	5(g)	<b>(3,370)</b>	(3,469)
Principal elements of lease payments		<b>(2,840)</b>	(2,733)
<b>Net cash outflow from financing activities</b>		<b>3,203</b>	(4,008)
Net increase in cash and cash equivalents		<b>(1,976)</b>	(1,835)
Cash and cash equivalents at the beginning of the year		<b>6,415</b>	8,337
Effects of exchange rate changes on cash and cash equivalents		<b>22</b>	(87)
Cash and cash equivalents at the end of the year	5(a)	<b>4,461</b>	6,415

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

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## VERBREC LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 30 JUNE 2023

### 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 2023 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. The financial statements were approved by the Board of Directors on 29 August 2023.

### 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 2022.

#### (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) 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 2(d) – going concern

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

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

Note 4(f) – 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



## 2 BASIS OF PREPARATION (CONTINUED)

### (d) GOING CONCERN

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

For the financial year ended 30 June 2023, the Group incurred a loss before income tax of \$10m (FY22: \$3.4m); experienced net cash outflows from operations of \$3.9m (FY22: inflows of \$3.1m), had a deficiency of current assets of \$9.1m (FY22: surplus of \$0.2m); and was in breach of its lending facility covenants. Based on Board approved FY24 budgets and current forecasts the Group is expected not to be in breach as at the next measurement period. As described in the Directors' Report, this is primarily due to the adverse financial impact of the final poor performing legacy projects. These factors represent a material uncertainty in respect of the Group's ability to continue as a going concern.

In the directors' opinion, the going concern basis of preparation remains appropriate because:

- As of July 2023, the Group had in excess of \$66m of contracted work,
- The markets in which the Group operates continue to be at buoyant levels,
- Actions have been taken to reduce excess labour overheads across the Group,
- The impact of the poor performing legacy projects have ceased with the last remaining of the projects having been closed out at the end of January 2023. The closure was announced in the Company's announcement to the Stock Exchange on the 24th of January 2023 and Verbrec continues to progress the recovery of outstanding fees in relation to the project.
- The Directors anticipate the ongoing support of the Group's financiers and note that the bank has indicated that no action was taken in respect of the covenant breach at 31 December 2022 or is expected to be taken in respect of the covenant breach at 30 June 2023.

The directors are of the view, given the circumstances as outlined above, that the Group will be able to continue to satisfy its capital and operating commitments as and when they fall due and as such the going concern basis of preparation is appropriate. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the entity not continue as a going concern.

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.



### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

#### Foreign operations

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

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

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

The Group has not applied any standards or amendments for the first time in their annual reporting period commencing 1 July 2022.

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2023. All new standards and amendments that are mandatory have been adopted and the impact on the financial statements was immaterial.

#### (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.

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## 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:

2023	Australia \$'000	New Zealand \$'000	Total \$'000
<b>Engineering services</b>			
- EPC revenue	<b>94,177</b>	<b>9,623</b>	<b>103,800</b>
<b>Training services</b>	<b>14,329</b>	<b>59</b>	<b>14,388</b>
<b>Total revenue from external parties</b>	<b>108,506</b>	<b>9,682</b>	<b>118,188</b>
<b>Timing of revenue recognition</b>			
At a point in time	<b>468</b>	-	<b>468</b>
Over time	<b>108,038</b>	<b>9,682</b>	<b>117,720</b>
	<b>108,506</b>	<b>9,682</b>	<b>118,188</b>
2022	<b>Australia \$'000</b>	<b>New Zealand \$'000</b>	<b>Total \$'000</b>
<b>Engineering services</b>			
- EPC revenue	95,442	11,894	107,336
<b>Training services</b>	13,915	141	14,056
<b>Total revenue from external parties</b>	109,357	12,035	121,392
<b>Timing of revenue recognition</b>			
At a point in time	585	-	585
Over time	108,772	12,035	120,807
	<b>109,357</b>	<b>12,035</b>	<b>121,392</b>

#### 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 - Provision of contract Engineering, Procurement and Construction services (EPC).**

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

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

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

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

**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 as the customer receives and consumes the benefits provided by the entity's performance.

**(b) OTHER INCOME**

	<b>2023</b>	2022
	<b>\$'000</b>	\$'000
Net foreign exchange (losses)/gains	<b>(67)</b>	60
Gain on Fair Value of Financial Liabilities	<b>463</b>	520
Sundry income	<b>120</b>	56
	<b>516</b>	636

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

	<b>2023</b>	2022
	<b>\$'000</b>	\$'000
Interest income	<b>53</b>	5
Interest and finance charges paid/payable	<b>(496)</b>	(164)
Interest paid on lease liability	<b>(338)</b>	(366)
Discounting on contingent consideration	<b>(124)</b>	(168)
	<b>(905)</b>	(693)

**(d) OTHER OPERATING EXPENSES**

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

	<b>2023</b>	2022
	<b>\$'000</b>	\$'000
Salaries and wages	<b>18,860</b>	20,666
Other employment related expenses	<b>908</b>	846
General outgoings	<b>2,034</b>	2,168
Subscriptions, licenses and memberships	<b>2,265</b>	2,278
Consulting	<b>2,602</b>	2,384
Depreciation and amortisation*	<b>4,224</b>	4,866
Insurance	<b>1,856</b>	1,734
Provision for impairment of contract assets**	<b>2,764</b>	-
Other administrative expenses	<b>3,051</b>	2,960
	<b>38,564</b>	37,902

\*Included in the above is depreciation on Property, Plant and Equipment \$0.6 million, Right-Of-Use Assets \$2.7 million and Intangible Assets \$0.9 million.

\*\*In the current period the consolidated entity has raised a provision for impairment of contract assets of \$2.7m. The company regularly assesses its contract assets and has decided to provide for the expected loss at this stage. They will seek to recover the full amount in the future.



## 4 OPERATIONS - RESULTS FOR THE YEAR (CONTINUED)

### (e) COST OF PROVIDING SERVICES

	<b>2023</b>	2022
	<b>\$'000</b>	\$'000
Personnel expenses	<b>48,007</b>	51,437
Contractor expenses	<b>11,537</b>	12,618
Project reimbursable expenses (including procurement)	<b>28,235</b>	21,945
	<b>87,779</b>	86,000

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

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

### (f) 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 benefit/(expense)

	<b>2023</b>	2022
	<b>\$'000</b>	\$'000
<b>Current tax expense</b>		
Current year	-	(269)
<b>Deferred tax benefit / (expense)</b>		
(Decrease) / increase in DTA	<b>(156)</b>	1,397
Decrease / (increase) in DTL	<b>278</b>	(723)
Adjustments for current tax of prior periods	<b>308</b>	(109)
<b>Total income tax benefit / (expense)</b>	<b>430</b>	296
<i>Numerical reconciliation between tax expense and pre-tax accounting profit</i>		
<b>Profit/(Loss) before income tax</b>	<b>(9,954)</b>	(3,433)
Income tax using the Company's domestic tax rate of 30% (2022 - 30%)	<b>2,986</b>	1,030
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:	<b>35</b>	
Deferred tax expenses on contingent consideration	<b>139</b>	156
Non-deductible expenses	<b>(109)</b>	(487)
Movement in relation to losses not recognised	<b>(2,624)</b>	(427)
Movement in relation to impairment	<b>(339)</b>	-
Sundry items	<b>342</b>	24
<b>Total income tax (expense)/ benefit</b>	<b>430</b>	296

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**4 OPERATIONS - RESULTS FOR THE YEAR (CONTINUED)**

**(f) TAXATION (CONTINUED)**

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

**Current tax assets and liabilities**

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

	<b>2023</b> <b>\$'000</b>	2022 \$'000
<b>Current tax asset</b>		
Current tax asset	<b>263</b>	140
<b>Current tax liability</b>		
Current tax liability	-	269

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

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

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Tax assets related to losses have been recognised in line with significant contracted work and buoyant markets in which the group operates. Refer to note 2(d) for further details.

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**

	<b>2023</b> <b>\$'000</b>	2022 \$'000
<b>The balance comprises differences attributable to:</b>		
Lease liabilities	1,819	2,322
Tax losses	4,970	4,709
Employee benefits	2,146	2,434
Contract liabilities	1,774	2,071
Other deferred tax assets	1,678	1,008
	<b>12,387</b>	<b>12,544</b>
Set-off of deferred tax liabilities pursuant to set-off provisions	<b>(4,781)</b>	<b>(5,059)</b>
Net deferred tax assets	<b>7,606</b>	<b>7,485</b>

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## 4 OPERATIONS - RESULTS FOR THE YEAR (CONTINUED)

### (f) 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
<b>Movements</b>						
At 1 July 2021	1,679	4,709	2,694	712	1,353	11,147
(Charged)/credited						-
- to profit or loss	643	-	(260)	1,359	(345)	1,397
At 30 June 2022	2,322	4,709	2,434	2,071	1,008	12,544
At 1 July 2022	<b>2,322</b>	<b>4,709</b>	<b>2,434</b>	<b>2,071</b>	<b>1,008</b>	<b>12,544</b>
(Charged)/credited						
- to profit or loss	<b>(503)</b>	<b>261</b>	<b>(288)</b>	<b>(297)</b>	<b>670</b>	<b>(157)</b>
(Charged)/credited						
- to reserves		-	-	-	-	-
At 30 June 2023	<b>1,819</b>	<b>4,970</b>	<b>2,146</b>	<b>1,774</b>	<b>1,678</b>	<b>12,387</b>

#### Deferred tax liabilities

	2023	2022
	\$'000	\$'000
<b>The balance comprises temporary differences attributable to:</b>		
Right-Of-Use Asset	<b>(1,434)</b>	(1,925)
Work in progress	<b>(2,450)</b>	(1,895)
Customer relationships	<b>(669)</b>	(879)
Other deferred tax liabilities	<b>(228)</b>	(360)
	<b>(4,781)</b>	(5,059)
Set-off of deferred tax liabilities pursuant to set-off provisions	<b>4,781</b>	5,059
Net deferred tax liabilities	-	-

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**4 OPERATIONS - RESULTS FOR THE YEAR (CONTINUED)**

**(f) TAXATION (CONTINUED)**

**Deferred tax liabilities (continued)**

	Right-Of-Use Asset	Customer relation- ships	Work in progress	Other deferred tax liabilities	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Movements</b>					
At 1 July 2021	(1,481)	(1,325)	(1,452)	(78)	(4,336)
(Charged)/credited to profit or loss	(444)	446	(443)	(282)	(723)
At 30 June 2022	(1,925)	(879)	(1,895)	(360)	(5,059)
At 1 July 2022	<b>(1,925)</b>	<b>(879)</b>	<b>(1,895)</b>	<b>(360)</b>	<b>(5,059)</b>
(Charged)/credited to profit or loss	<b>491</b>	<b>210</b>	<b>(555)</b>	<b>132</b>	<b>278</b>
At 30 June 2023	<b>(1,434)</b>	<b>(669)</b>	<b>(2,450)</b>	<b>(228)</b>	<b>(4,781)</b>

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

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

At 30 June 2023, there was a tax benefit of \$11.5 million (2022: \$8.9 million) relating to unused tax losses of \$38.5 million (2022: \$29.9 million), which includes a DTA on tax losses of \$4.9 million (2022: \$4.7 million).

**Tax consolidation**

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

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## 4 OPERATIONS - RESULTS FOR THE YEAR (CONTINUED)

### (g) EARNINGS PER SHARE

#### Reconciliation of earnings used in calculating earnings per share

	2023 \$'000	2022 \$'000
<b>Loss for the year</b>	<b>(9,524)</b>	(3,137)
WANOS <sup>1</sup> used to calculate basic EPS (Shares)	<b>221,476</b>	221,412
WANOS <sup>1</sup> used to calculate diluted EPS (Shares)	<b>225,146</b>	225,797
Basic EPS (cents per share)	<b>(4.3)</b>	(1.4)
Diluted EPS (cents per share)	<b>(4.3)</b>	(1.4)

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

	2023 \$'000	2022 \$'000
<b>Number of shares</b>		
WANOS used to calculate basic EPS (Shares)	<b>221,476</b>	221,412
Effect of performance rights and options on issue	<b>3,670</b>	4,385
WANOS used to calculate diluted EPS (Shares)	<b>225,146</b>	225,797

#### CALCULATION OF EARNINGS PER SHARE

##### Basic earnings per share

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

##### Diluted earnings per share

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

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

Diluted earnings per share doesn't include potential ordinary shares. As the Company is loss-making in the current year these potential shares are anti-dilutive.

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## 4 OPERATIONS - RESULTS FOR THE YEAR (CONTINUED)

### (h) 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, comprising the Chief Executive Officer, the Chief Financial Officer, the Acting Chief Operating Officer and the Board members for assessing performance and making operating decisions.

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

#### Revenue

	<b>2023</b>	2022
	<b>\$'000</b>	\$'000
Engineering services	<b>103,800</b>	107,336
Training services	<b>14,388</b>	14,056
	<b>118,188</b>	121,392

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

<b>EBITDA</b>	<b>2023</b>	2022
	<b>\$'000</b>	\$'000
Engineering services	<b>(3,281)</b>	4,657
Training services	<b>(1,544)</b>	(2,531)
	<b>(4,825)</b>	2,126
<b>EBITDA</b>	<b>(4,825)</b>	2,126
Finance cost	<b>(905)</b>	(693)
Depreciation and amortisation	<b>(4,224)</b>	(4,866)
Loss before income tax from continuing operations	<b>(9,954)</b>	(3,433)

Details of the Group's most significant customer revenues at 30 June 2023 are shown in the following table. The most significant single customer at 30 June 2023 is a large, resources company.

	<b>2023</b>		2022	
	<b>\$'000</b>	<b>% of revenue</b>	\$'000	% of revenue
Most significant single customer	<b>9,268</b>	<b>8%</b>	10,321	9%
Top 10 most significant customers	<b>44,640</b>	<b>38%</b>	46,299	38%

	<b>2023</b>	2022
	<b>\$'000</b>	\$'000
<b>Non-current assets excluding deferred tax assets</b>		
Australia	<b>18,153</b>	22,047
New Zealand	<b>688</b>	522
	<b>18,841</b>	22,569



## 4 OPERATIONS - RESULTS FOR THE YEAR (CONTINUED)

### (i) AUDITOR'S REMUNERATION

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

	2023	2022
<b>Audit services</b>		
Audit and review of the Company's Financial Report	<b>195,000</b>	195,000
<b>Non-audit services</b>		
Tax compliance services	<b>89,550</b>	102,332
Other assurance services	<b>15,109</b>	14,250
	<b>104,659</b>	116,582
<b>Total remuneration of Grant Thornton</b>	<b>299,659</b>	311,582

## 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.

	2023 \$'000	2022 \$'000
Cash at bank	<b>1,556</b>	6,415
Restricted cash and cash equivalents	<b>2,905</b>	-
<b>Cash and cash equivalents at 30 June:</b>	<b>4,461</b>	6,415

# Restricted cash of \$2.9m (2022:nil) is required to be held under the Westpac facility as part security for the issuance of bank guarantees.

The closing cash balance was impacted by the legacy poor performing project. Verbrec intends to vigorously pursue all monies owed to it over the coming months.

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

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

	<b>2023</b>	2022
	<b>\$'000</b>	\$'000
<b>Cash flows from operating activities</b>		
Loss for the year	<b>(9,524)</b>	(3,137)
Adjustments for:		
Depreciation & amortisation	<b>4,224</b>	4,947
Impairment on lease	<b>50</b>	-
Impairment charge on Goodwill	<b>1,410</b>	866
(Gain)/loss on FA disposal	<b>(97)</b>	87
Gain on Fair Value of Financial Liabilities	<b>(463)</b>	(520)
Share based payments	<b>48</b>	111
Interest expense on contingent consideration	<b>124</b>	168
<b>Adjusted operating profit/(loss) before changes in working capital and provisions</b>	<b>(4,228)</b>	<b>2,522</b>
Change in trade and other receivables	<b>4,164</b>	(1,846)
Change in contract assets	<b>(1,688)</b>	(2,010)
Change in trade and other payables	<b>277</b>	1,246
Change in deferred tax asset	<b>(156)</b>	(665)
Change in income taxes payable	<b>(269)</b>	269
Change in contract liabilities	<b>(1,053)</b>	4,697
Change in provisions and employee benefits	<b>(957)</b>	(1,154)
<b>Net cash from operating activities</b>	<b>(3,910)</b>	<b>3,059</b>

**(b) TRADE AND OTHER RECEIVABLES**

	<b>2023</b>	2022
	<b>\$'000</b>	\$'000
<b>Current</b>		
Trade receivables	<b>15,549</b>	17,486
Loss allowances / Provision for impairment of receivables <sup>1</sup>	<b>(130)</b>	(130)
Prepayments	<b>1,683</b>	1,223
	<b>17,102</b>	18,579
Contract assets <sup>2</sup>	<b>8,568</b>	6,879
Provision for impairment of contract assets <sup>1</sup>	<b>(2,764)</b>	-
	<b>5,804</b>	6,879



## 5 OPERATIONS - OPERATING ASSETS AND LIABILITIES (CONTINUED)

### (b) TRADE AND OTHER RECEIVABLES (CONTINUED)

<sup>1</sup> The Group has applied the expected credit loss model to trade receivables and contract assets. An amount of \$0.1 million (FY2022: \$0.1 million) has been recognised as a provision for impairment for trade receivables. As part of the assessment of recoverability of contract assets, the company has provided for a potential impairment of a significant project. Consequently, an amount of \$2.8 million has been recognised in the current year for contract assets (FY2022: Nil), with such projects being provided for at 100%.

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

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 2023 and the corresponding historical credit losses experienced during this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. Other attributes considered include observing a deterioration of customer credit ratings together with any delays experienced in customer collections. The expected credit losses have been assessed but are not considered material.

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

### (c) TRADE AND OTHER PAYABLES

	<b>2023</b>	2022
	<b>\$'000</b>	\$'000
<b>Current</b>		
Trade payables	<b>7,226</b>	8,129
GST payable	<b>735</b>	988
Accrued expenses	<b>4,851</b>	4,625
Sundry creditors	<b>1,855</b>	683
	<b>14,667</b>	14,425

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

	<b>2023</b>	2022
	<b>\$'000</b>	\$'000
<b>Contract liabilities</b>	<b>6,022</b>	7,074

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

**5 OPERATIONS - OPERATING ASSETS AND LIABILITIES (CONTINUED)****(e) Employee benefits**

	2023			2022		
	Current	Non-current	Total	Current	Non-current	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Leave obligations	<b>4,831</b>	<b>643</b>	<b>5,474</b>	5,688	694	6,382

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

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

**(f) PROVISIONS**

	2023			2022		
	Current	Non-current	Total	Current	Non-current	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Bonus provision	<b>200</b>	-	<b>200</b>	215	-	215
Make good provision	<b>544</b>	<b>221</b>	<b>765</b>	251	552	803
Service warranties	<b>126</b>	-	<b>126</b>	113	-	113
Restructuring/ Redundancy costs	-	-	-	9	-	9
<b>Total</b>	<b>870</b>	<b>221</b>	<b>1,091</b>	588	552	1,140

The movement in provisions for the period is shown below:

	Bonus provision	Make good provision	Service warranties	Restructuring/ Redundancy costs	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July 2022	215	803	113	9	1,140
Credited to profit or loss					
- additional provisions recognised	200	217	93	-	510
- unused amounts reversed	(116)		(76)	-	(192)
Amounts used during the year	(99)	(255)	(4)	(9)	(367)
<b>Carrying amount at 30 June 2023</b>	<b>200</b>	<b>765</b>	<b>126</b>	<b>-</b>	<b>1,091</b>



## 5 OPERATIONS - OPERATING ASSETS AND LIABILITIES (CONTINUED)

### (f) PROVISIONS (CONTINUED)

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

#### Warranty

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

#### Bonus Provision

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

#### Make good provision

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

#### Restructuring/Redundancy costs

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

### (g) BORROWINGS

	2023			2022		
	Current	Non-current	Total	Current	Non-current	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Secured</b>						
Bank loans	5,879	-	5,879	600	-	600
Equipment loans	645	-	645	80	57	137
	<b>6,524</b>	-	<b>6,524</b>	680	57	737
<b>Unsecured</b>						
Insurance premium financing	256	-	256	-	-	-
<b>Total borrowings</b>	<b>6,780</b>	-	<b>6,780</b>	680	57	737

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**5 OPERATIONS - OPERATING ASSETS AND LIABILITIES (CONTINUED)**

**(g) BORROWINGS (CONTINUED)**

**Movements in borrowings**

The movement in borrowings for the period is shown below:

	Bank loans	Equipment finance loan	Insurance premium funding	Total
	\$'000	\$'000	\$'000	\$'000
Carrying amount at the start of the year	600	137	-	737
Additional borrowings	6,200	1,356	1,857	9,413
Repayments during the year	(921)	(848)	(1,601)	(3,370)
<b>Carrying amount at end of year</b>	<b>5,879</b>	<b>645</b>	<b>256</b>	<b>6,780</b>

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

On the 25th of August, 2022 the Group's financing facilities transferred from the National Australia Bank to the Westpac Banking Corporation. The new facility and usage as at 30 June 2023 was as follows:

FACILITY	Limit \$'000	Amount used \$'000	Amount available \$'000
Bank Guarantee Facility	5,600	4,500	1,100
Business Overdraft	3,400	-	3,400
<b>Total Flexible-option Facility</b>	<b>9,000</b>	<b>4,500</b>	<b>4,500</b>
Westpac Current Loan	1,200	1,100	100
SME Loan Scheme	5,000	4,779	221
Invoice Finance Facility	8,000	(91)	8,091
Business Credit Card Facility	300	219	81
Equipment Finance Revolving Facility	1,500	624	876

\* The total of the Flexible Options Facility totals \$9.0m and can be varied to suit the Group's working capital requirements.

Covenants imposed by Westpac include a Financial Debt to Adjusted EBITDA ratio to be less than 3.50 times and an Adjusted Equity Ratio greater than or equal to 40%. Financial debt is financial liabilities excluding IFRS 16 Lease Liabilities specific to property leases. Adjusted EBITDA is earnings before interest, tax, depreciation and amortisation, minus lease payment which are no longer accounted for as a lease expense due to IFRS 16 application. Adjusted equity ratio means the percentage calculated by dividing the sum of total shareholder funds plus/minus net intercompany loans, by total assets excluding IFRS 16 Right to Use Assets specific to property leases.

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**5 OPERATIONS - OPERATING ASSETS AND LIABILITIES (CONTINUED)**

**(g) BORROWINGS (CONTINUED)**

The Group has breached both covenants under its finance agreement as of 30 June 2023. The breach relates to the requirement to maintain a Financial Debt to Adjusted EBITDA to be less than 3.5 times (30 June 2023 – minus 0.7 times) and the Adjusted Equity Ratio to be greater than or equal to 40% (30 June 2023 – 27%). The breaches are as a result of the performance of the final poor performing project during the year ended 30 June 2023.

Whilst the Business Loan is not subject to the covenant agreement, the outstanding balance has been classified as current as covenant agreement allows Westpac to exercise its rights in regards to making a call against the facility.

The Group expects Westpac will issue a Covenant Breach Notice which will either require the Group to remedy the breach within a given set period of time or allow the breach to continue without remedy or further action without waving the Bank’s rights to enforce the covenant in the future.

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.

**(iii) Other facilities**

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

**Net debt reconciliation**

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

	<b>2023</b>	2022
	<b>\$'000</b>	\$'000
<b>Net debt</b>		
Cash and cash equivalents	<b>4,461</b>	6,415
Borrowings – repayable within one year	<b>(6,780)</b>	(680)
Borrowings – repayable after one year	-	(57)
	<b>(2,319)</b>	5,678
Cash and cash equivalents	<b>4,461</b>	6,415
Gross debt – fixed interest rates	<b>(901)</b>	(137)
Gross debt – variable interest rates	<b>(5,879)</b>	(600)
	<b>(2,319)</b>	5,678

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**5 OPERATIONS - OPERATING ASSETS AND LIABILITIES (CONTINUED)**

**(g) BORROWINGS (CONTINUED)**

**Net debt reconciliation (continued)**

	Other assets		Liabilities from financing activities		
	Cash	Bank loans	Equipment finance loan	Insurance premium funding	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2021	8,337	(1,800)	(345)	-	6,192
Cash flows	(1,922)	1,200	208	1,584	1,070
Insurance premium finance	-	-	-	(1,584)	(1,584)
At 30 June 2022	6,415	(600)	(137)	-	5,678
At 1 July 2022	<b>6,415</b>	<b>(600)</b>	<b>(137)</b>	-	<b>5,678</b>
Cash flows	<b>(1,954)</b>	<b>(5,279)</b>	<b>(508)</b>	<b>(1,856)</b>	<b>(9,597)</b>
Insurance premium finance	-	-	-	<b>1,600</b>	<b>1,600</b>
At 30 June 2023	<b>4,461</b>	<b>(5,879)</b>	<b>(645)</b>	<b>(256)</b>	<b>(2,319)</b>

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## 6 NON-CURRENT ASSETS

### (a) PROPERTY, PLANT AND EQUIPMENT

	Plant and equipment \$'000	Motor vehicles \$'000	Total \$'000
<b>As at 1 July 2021</b>			
Cost	10,461	2,038	12,499
Accumulated depreciation	(9,151)	(1,808)	(10,959)
Net book amount	1,310	230	1,540
<b>Year Ended 30 June 2022</b>			
Opening net book amount	1,310	230	1,540
Additions	865	36	901
Disposals	(51)	(14)	(65)
Depreciation charge	(732)	(112)	(844)
Closing net book amount	1,392	140	1,532
<b>As at 30 June 2022</b>			
Cost	15,836	1,558	17,394
Accumulated depreciation	(14,444)	(1,418)	(15,862)
Net book amount	1,392	140	1,532
<b>Year Ended 30 June 2023</b>			
Opening net book amount	<b>1,392</b>	<b>140</b>	<b>1,532</b>
Additions	<b>384</b>	<b>144</b>	<b>528</b>
Disposals	-	-	-
Depreciation charge	<b>(513)</b>	<b>(71)</b>	<b>(584)</b>
Closing net book amount	<b>1,263</b>	<b>213</b>	<b>1,476</b>
<b>At 30 June 2023</b>			
Cost	<b>16,220</b>	<b>1,685</b>	<b>17,905</b>
Accumulated depreciation	<b>(14,957)</b>	<b>(1,472)</b>	<b>(16,429)</b>
Net book amount	<b>1,263</b>	<b>213</b>	<b>1,476</b>

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## 6 NON-CURRENT 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

Motor vehicles 4 - 5 years

### (b) LEASES

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

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

The balance sheet shows the following amounts relating to leases:

	30 June 2023 \$'000	30 June 2022 \$'000
<b>Right-of-use assets</b>		
Properties	<b>4,349</b>	5,776
Equipment	<b>450</b>	649
	<b>4,799</b>	6,425
<b>Lease liabilities</b>		
Current	<b>2,727</b>	2,482
Non-current	<b>3,359</b>	5,267
	<b>6,086</b>	7,749

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## 6 NON-CURRENT 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:

	<b>2023</b>	2022
	<b>\$'000</b>	\$'000
<b>Depreciation charge of right-of-use assets</b>		
Properties	<b>2,150</b>	3,123
Equipment	<b>607</b>	213
	<b>2,757</b>	3,336
Interest expense (included in finance cost)	<b>338</b>	366
Expense relating to short-term leases (included in cost of providing services and other administrative expenses)	<b>463</b>	442

The total cash outflow for leases in 2023 was \$2.8 million (2022: \$2.7 million).

**6 NON-CURRENT ASSETS (CONTINUED)****(b) LEASES (CONTINUED)****(iii) Right-of-use assets movement**

	Properties \$'000	Equipment \$'000	Total \$'000
<b>At 01 July 2021</b>			
Cost	11,133	158	11,291
Accumulated depreciation	(6,321)	(27)	(6,348)
Net book amount	4,812	131	4,943
<b>Year Ended 30 June 2022</b>			
Opening net book amount	4,812	131	4,943
Additions	4,094	847	4,941
Disposals	-	(123)	(123)
Depreciation charge	(3,123)	(213)	(3,336)
Closing net book amount	5,783	642	6,425
<b>At 30 June 2022</b>			
Cost	12,345	827	13,172
Accumulated depreciation	(6,569)	(178)	(6,747)
Net book amount	5,776	649	6,425
<b>Year Ended 30 June 2023</b>			
Opening net book amount	<b>5,776</b>	<b>649</b>	<b>6,425</b>
Additions	<b>774</b>	<b>408</b>	<b>1,182</b>
Impairment*	<b>(51)</b>	-	<b>(51)</b>
Depreciation charge	<b>(2,288)</b>	<b>(469)</b>	<b>(2,757)</b>
Closing net book amount	<b>4,211</b>	<b>588</b>	<b>4,799</b>
<b>At 30 June 2023</b>			
Cost	<b>13,119</b>	<b>1,235</b>	<b>14,354</b>
Accumulated depreciation	<b>(8,857)</b>	<b>(647)</b>	<b>(9,504)</b>
Impairment	<b>(51)</b>	-	<b>(51)</b>
Net book amount	<b>4,211</b>	<b>588</b>	<b>4,799</b>

\*An impairment of \$0.05 million (2022: \$nil) was recognised in the period for a lease on a vacant property previously used by the training segment.



## 6 NON-CURRENT ASSETS (CONTINUED)

### (b) LEASES (CONTINUED)

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

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

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

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

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

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

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

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

To determine the incremental borrowing rate, the Group:

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

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

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

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



## 6 NON-CURRENT 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.

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.

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## 6 NON-CURRENT ASSETS (CONTINUED)

### (c) INTANGIBLE ASSETS

	Goodwill	Application Software	Development Costs	Brand Names	Customer Contracts	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>As at 1 July 2021</b>						
Cost	11,500	1,011	161	343	5,418	18,433
Accumulated amortisation	-	(925)	(136)	(9)	(1,333)	(2,403)
Net book amount	11,500	86	25	334	4,085	16,030
<b>Year Ended 30 June 2022</b>						
Opening net book amount	11,500	86	25	334	4,085	16,030
Additions	-	40	183	-	-	223
Reclassifications	-	(36)	-	-	36	-
Impairment charge	(866)	-	-	-	-	(866)
Amortisation charge	-	(32)	37	(32)	(748)	(775)
Closing net book amount	10,634	58	245	302	3,373	14,612
<b>As at 30 June 2022</b>						
Cost	10,634	1,015	344	343	5,454	17,790
Accumulated amortisation	-	(957)	(99)	(41)	(2,081)	(3,178)
Net book amount (previously reported)	10,634	58	245	302	3,373	14,612
<b>Year Ended 30 June 2023</b>						
Opening net book amount	<b>10,634</b>	<b>58</b>	<b>245</b>	<b>302</b>	<b>3,373</b>	<b>14,612</b>
Additions	-	-	<b>221</b>	<b>26</b>	-	<b>247</b>
Amortisation charge	-	<b>(31)</b>	<b>(3)</b>	<b>(35)</b>	<b>(814)</b>	<b>(883)</b>
Impairment charge	<b>(1,410)</b>	-	-	-	-	<b>(1,410)</b>
Closing net book amount	<b>9,224</b>	<b>27</b>	<b>463</b>	<b>293</b>	<b>2,559</b>	<b>12,566</b>
<b>At 30 June 2023</b>						
Cost	<b>9,224</b>	<b>1,015</b>	<b>565</b>	<b>369</b>	<b>5,454</b>	<b>16,627</b>
Accumulated amortisation	-	<b>(988)</b>	<b>(102)</b>	<b>(76)</b>	<b>(2,895)</b>	<b>(4,061)</b>
Net book amount	<b>9,224</b>	<b>27</b>	<b>463</b>	<b>293</b>	<b>2,559</b>	<b>12,566</b>

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## 6 NON-CURRENT 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. 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.



## 6 NON-CURRENT ASSETS (CONTINUED)

### (c) 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 between 1 and 10 years.

## 7 CAPITAL AND RESERVES

### (a) SHARE CAPITAL - MOVEMENTS IN ORDINARY SHARE CAPITAL

	Shares '000	Issue Price	\$'000
Opening balance 1 July 2021	220,414	-	24,259
Exercise of Options issue date 22 July 2022	1,062	\$0.1252	133
Less: Transaction costs arising on share issues	-	-	(178)
Deferred tax credit recognised directly in equity	-	-	53
Balance 30 June 2022	221,476		24,267
Balance 30 June 2023	<b>221,476</b>		<b>24,267</b>

### (b) RESERVES - MOVEMENTS IN RESERVES

	Share based payments reserve \$'000	Foreign currency reserve \$'000	Total \$'000
Opening balance 1 July 2022	662	(436)	226
Amount expensed during the year	48	-	48
Foreign Currency Translation Reserve movement	-	(8)	(8)
Closing balance 30 June 2023	<b>710</b>	<b>(444)</b>	<b>266</b>

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

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



## 7 CAPITAL AND RESERVES (CONTINUED)

### (C) DIVIDENDS

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

#### Declared and paid during the year

In the current period there were no Dividends declared or paid.

FRANKING CREDITS	2023 \$'000	2022 \$'000
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2022 – 30%)	<b>5,680</b>	5,680

## 8 RISK

### (a) FINANCIAL INSTRUMENTS

#### Non-derivative financial instruments

Non-derivative financial instruments comprise 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.

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

	<b>2023</b>	2022
	<b>\$'000</b>	\$'000
Trade receivables (net of provision for impairment)	<b>15,419</b>	17,356
Sundry debtors and prepayments	<b>1,682</b>	1,223
Contract assets (net of provision for impairment)	<b>5,804</b>	6,879
	<b>22,905</b>	25,458
Cash and cash equivalents	<b>4,461</b>	6,415
	<b>27,366</b>	31,873

**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.

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**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 2023 on the Group’s trade receivables and contract assets, for which lifetime expected credit losses are recognised, using a provision calculation as specified above.

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

	<b>2023</b> <b>\$'000</b>	2022 \$'000
Australia	<b>24,703</b>	23,983
New Zealand	<b>1,096</b>	1,606
	<b>25,799</b>	25,589

Details of the Group’s most significant customer receivable balances at 30 June 2023 are shown in the following table. The most significant single customer at 30 June 2023 is a large, tier 1 resources company.

	<b>Carrying amount</b> <b>2023</b> <b>\$'000</b>	<b>% of trade</b> <b>receivables</b> <b>2023</b>	Carrying amount 2022 \$'000	% of trade receivables 2022
Most significant single customer	<b>1,479</b>	<b>10%</b>	1,441	8%
Top ten most significant customers	<b>8,206</b>	<b>53%</b>	6,067	35%

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## 8 RISK (CONTINUED)

### (b) FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

	2023 \$'000	2022 \$'000
Closing loss allowance at 30 June	130	130
Provision for expected credit loss on contract assets	2,764	-
	<b>2,894</b>	130

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

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

#### Liquidity risk

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

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

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

	Carrying amount \$'000	Contractual cash flows \$'000	Less than 1 year \$'000	More than 1 year \$'000
Balance at 30 June 2023				
<b>Financial liabilities</b>				
Trade payables	14,667	14,667	14,667	-
Borrowings (excluding finance leases)	6,780	6,780	6,780	-
Lease liabilities	6,086	6,366	2,950	3,416
Other financial liabilities	916	939	939	-
	<b>28,449</b>	<b>28,752</b>	<b>25,336</b>	<b>3,416</b>
Balance at 30 June 2022				
<b>Financial liabilities</b>				
Trade payables	14,425	14,425	14,425	-
Borrowings (excluding finance leases)	737	744	687	57
Lease liabilities	7,749	8,384	2,782	5,602
Other financial liabilities	1,766	1,766	605	1,161
	24,677	25,319	18,499	6,820

## 8 RISK (CONTINUED)

### (b) FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Financing arrangements

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

	<b>30 June 2023</b>	30 June 2022
	<b>\$'000</b>	\$'000
Bank overdraft	<b>3,400</b>	500
Bank guarantee	<b>1,100</b>	1,533
Invoice financing facility	<b>8,091</b>	-
	<b>12,591</b>	2,033

As at 30 June 2023, the Group had utilised a total of \$4.5 million of the \$9.0 million limit of its Flexible-Option Facility with Westpac and \$0.37 million of the \$1.5 million limit of its equipment finance facility. For details of impact of any breaches of covenants refer to note 5(g).

#### Market risk

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

#### Interest rate risk

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

#### Profile

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

	<b>30 June 2023</b>	30 June 2022
	<b>\$'000</b>	\$'000
<b>Variable rate instruments</b>		
Financial assets	<b>4,461</b>	6,415
Financial liabilities	<b>(5,879)</b>	(600)
	<b>(1,418)</b>	5,815
<b>Fixed rate instruments</b>		
Financial liabilities	<b>(901)</b>	(137)

#### 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% (2022: 2%) has been selected as this is considered reasonably possible. The Directors cannot nor do they seek to predict movements in interest rates. These sensitivities are shown for illustrative purposes only.



## 8 RISK (CONTINUED)

### (b) FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Cash flow sensitivity analysis for variable rate instruments (continued)

	2023 \$'000	2022 \$'000
<b>Effect on profit before tax increase/(decrease)</b>		
If interest rates were 2% higher (2022: 2%)	32	7
If interest rates were 2% lower (2022: 2%)	(32)	(7)
<b>Effect on profit after tax increase/(decrease)</b>		
If interest rates were 2% higher (2022: 2%)	22	5
If interest rates were 2% lower (2022: 2%)	(22)	(5)
<b>Effect on shareholders' equity increase/(decrease)</b>		
If interest rates were 2% higher (2022: 2%)	22	5
If interest rates were 2% lower (2022: 2%)	(22)	(5)

#### 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 2023 due to the short-term nature of these financial assets and liabilities.

#### Capital management

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

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

As at the balance date the Group had a Flexible-Option working capital and bank guarantee facility of \$9.0 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 Westpac of \$1.5 million (currently utilised \$0.65 million) used to fund IT capital expenditure.



## 8 RISK (CONTINUED)

### (b) FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Capital management (continued)

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.

#### Financial Performance and Position

The Group recorded an operating loss in FY2023 of \$9 million (2022: loss of \$2.7 million) and operating cash outflows of \$3.9 million (2022: inflows of \$3.1 million). As at 30 June 2023 cash on hand was \$4.5 million (2022: \$6.4 million) and borrowings totaled \$6.8 million (2022: \$0.6 million).

#### Banking Facilities

The Group operates its business activities through careful management of its cash reserves, operating cash flows and a "Flexible-Option" finance facility provided by Westpac. At 30 June 2023, this facility had a limit of \$9.0 million, split \$5.6 million to a bank guarantee facility, and \$3.4 million overdraft facility to assist with short-term working capital requirements. The Group also had a current loan of \$1.2 million, an SME loan of \$5 million and a revolving lease equipment facility with a limit of \$1.5 million.

Available headroom in the overdraft facility at 30 June 2023 was \$3.4 million. Further details on the bank facilities, including applicable financial covenants and the impacts of breaching these covenants in June 2023, 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 2023, the Group had used \$4.5 million in bank guarantees facility limit. The Group believes that the \$1.1 million headroom available under the NAB Bank Guarantee facility as at June 2023 is sufficient to meet the future bank guarantee requirements of any currently identified projects or proposals.

#### Financial position and basis of preparation

At 30 June 2023 the Group had \$4.5 million of cash on hand and undrawn overdraft facilities of \$3.4 million. As noted, at 30 June 2023 the Group recorded an operating loss of \$9.0 million, recorded a net operating cash outflow of \$3.9 million and has total current borrowings of \$6.8 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.

Refer to note 2 for more detailed discussion of basis of preparation.



## 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.

##### Impairment tests for Goodwill

###### Cash Generating Units (CGUs) and goodwill allocation

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

<b>GOODWILL ALLOCATED TO CGUs - POST IMPAIRMENT</b>	<b>2023</b>	2022
	<b>\$'000</b>	\$'000
Engineering Services	<b>4,130</b>	4,130
Training Services	<b>5,094</b>	6,504
	<b>9,224</b>	10,634

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

An impairment loss is recognised for the amount by which the asset's (or cash-generating unit's) carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect current market assessments of the time value of money and asset-specific risk. For the 2023 and 2022 reporting periods, the recoverable amount of each segment was determined based on value-in-use calculations, covering a detailed five-year forecast, followed by an extrapolation of expected cash flows using a terminal growth rate determined by management. The present value of the expected cash flows of each segment is determined by applying a suitable discount rate (provided by an independent third party advisory firm) reflecting current market assessments of the time value of money and risks specific to the segment. The recoverable amounts calculated together with the growth and discount rates used in the estimation are set out below:

## 8 RISK (CONTINUED)

### (c) IMPAIRMENT (CONTINUED)

#### Non-financial assets (continued)

<b>RECOVERABLE AMOUNT OF EACH OPERATING SEGMENT</b>	<b>2023 \$'000</b>	2022 \$'000
Engineering Services	<b>33,440</b>	51,427
Training Services	<b>6,664</b>	9,182
	<b>40,104</b>	60,609

<b>VALUE IN USE KEY ASSUMPTIONS</b>	<b>Growth Rates</b>		<b>Discount Rates (pre tax)</b>	
	<b>2023</b>	2022	<b>2023</b>	2022
Engineering Services	<b>2.0</b>	2.0	<b>12.5</b>	13.1
Training Services	<b>2.0</b>	2.0	<b>13.1</b>	13.6

#### Growth rates

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

#### Discount rates

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

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

- Pre-tax discount rates of 12.5% (2022: 13.1%) for Engineering CGU and 13.1% (2022: 13.6%) Training CGU applied to the cash flows
- Expected future profits for the first year based on the Board approved budget for FY2023
- Revenue over the five-year forecast based on expected sector revenue growth rates of 2% within the Engineering CGU and 5% to 7% within the Training CGU
- EBITDA margins for the five-year forecast of between 5%-6% within the Engineering CGU and 4%-11% within the Training CGU
- Terminal growth rate of 2% applied beyond FY28

#### Engineering Services CGU

The decrease in the recoverable amount can be attributed to lower earnings achieved in the Engineering segment following the close-out of several problem projects. Management has identified that a significant change would have to occur in all key assumptions in order to result in the carrying amount to exceed the recoverable amount.



## 8 RISK (CONTINUED)

### (c) IMPAIRMENT (CONTINUED)

#### Non-financial assets (continued)

##### Training CGU

A revision of forecast earnings within the Training CGU over the 5 year term and beyond together with a higher degree of estimation uncertainty implied within the discount rate used this year as compared to previous years resulted in the carrying amount of the CGU to be higher than its recoverable amount of \$6.7 million (FY22: \$9.2 million), as such an impairment loss of \$1.41 million (FY22: \$0.87 million) was recognised. The impairment loss was fully allocated to goodwill. Management acknowledged the recoverable amount for the Training segment is particularly sensitive to any changes in the key assumptions, and as such decided to elevate the discount rate by 1.5% when calculating the impairment loss of \$1.41 million to allow for any estimated uncertainty in the recoverable amount calculation. Following the impairment loss recognised in the Group's Training CGU, the recoverable amount was equal to the carrying amount.

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

	Engineering Services \$'000	Training Services \$'000	Total \$'000
Opening balance 1 July 2022	4,130	6,504	10,634
Impairment charge	-	(1,410)	(1,410)
<b>Closing balance 30 June 2023</b>	<b>4,130</b>	<b>5,094</b>	<b>9,224</b>

## 9 CORPORATE AND GROUP

### (a) GROUP ENTITIES

#### Parent and ultimate controlling entity

The Group's principal subsidiaries at 30 June 2023 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.



**9 CORPORATE AND GROUP (CONTINUED)**

**(a) GROUP ENTITIES (CONTINUED)**

**Parent and ultimate controlling entity (continued)**

	Australian Company Business Number	Country of incorporation	Ownership interest	
			2023 %	2022 %
Verbrec Infrastructure Services Pty Ltd	ACN 058 047 046	Australia	<b>100</b>	100
OSD Asset Services Pty Ltd	ACN 117 904 024	Australia	<b>100</b>	100
PIPEd Pty Ltd	ACN 117 496 741	Australia	<b>100</b>	100
OSD Projects Pty Ltd	ACN 153 827 279	Australia	<b>100</b>	100
OSD Velocity Pty Ltd	ACN 611 464 996	Australia	<b>100</b>	100
GWB Engineering Pty Ltd	ACN 058 405 762	Australia	<b>100</b>	100
LogiCamms Holdings Pty Ltd	ACN 163 483 636	Australia	<b>100</b>	100
LogiCamms (WA) Pty Ltd	ACN 127 715 762	Australia	<b>100</b>	100
LogiCamms West Pty Ltd	ACN 059 540 831	Australia	<b>100</b>	100
LogiCamms Consultants Trust	ABN 69 868 703 406	Australia	<b>100</b>	100
Verbrec International Holdings Pty Ltd	ACN 078 567 049	Australia	<b>100</b>	100
Competency Training Pty Ltd	ACN 113 051 139	Australia	<b>100</b>	100
Verbrec Australia Pty Ltd	ACN 113 919 565	Australia	<b>100</b>	100
LogiCamms (CGH) Pty Ltd	ACN 103 283 638	Australia	<b>100</b>	100
LogiCamms (Central) Pty Ltd	ACN 008 190 207	Australia	<b>100</b>	100
LogiCamms Shared Services Pty Ltd	ACN 101 159 184	Australia	<b>100</b>	100
Petromod Pty Ltd	ACN 149 788 929	Australia	<b>100</b>	100
Energy Infrastructure Management Pty Ltd	ACN 100 946 389	Australia	<b>100</b>	100
StacksOn IP Pty Ltd	ACN 646 392 430	Australia	<b>100</b>	100
StacksOn operations Pty Ltd	ACN 663 444 406	Australia	<b>100</b>	0
Verbrec New Zealand Limited		New Zealand	<b>100</b>	100
Independent Technology Holdings Limited		New Zealand	<b>100</b>	100
ITL Engineering New Zealand Limited		New Zealand	<b>100</b>	100
ITL Limited		New Zealand	<b>100</b>	100
ITL Engineering Australia Pty Ltd		New Zealand	<b>100</b>	100
OSD Pipelines Corporation (dormant)		Canada	<b>100</b>	100
OSD Chile S.A. (dormant)		Chile	<b>100</b>	100

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## 9 CORPORATE AND GROUP (CONTINUED)

### (a) GROUP ENTITIES (CONTINUED)

#### Parent entity disclosures

	2023 \$'000	2022 \$'000
<b>Result of the parent entity - Verbrec Limited</b>		
Profit/(loss) and comprehensive income for the year	<b>(9,533)</b>	9,415
<b>Financial position of parent entity at year end</b>		
Current assets	<b>4,026</b>	5,130
Total assets	<b>21,091</b>	26,443
Current liabilities	<b>(8,039)</b>	(3,906)
Total liabilities	<b>(8,050)</b>	(3,918)
<b>Net assets</b>	<b>13,041</b>	22,525
<b>Total equity of the parent entity comprising of</b>		
Share capital	<b>93,564</b>	93,564
Reserves	<b>710</b>	662
Accumulated losses	<b>(81,233)</b>	(71,701)
	<b>13,041</b>	22,525

#### 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) RELATED PARTIES

Key Management Personnel compensation

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

	2023 \$	2022 \$
Short-term employee benefits	1,894,819	1,557,931
Post-employment benefits	97,719	74,425
Non-monetary benefits	2,761	2,088
STI Cash Bonus	40,000	25,000
Share-based payments	19,740	78,244
	<b>2,055,039</b>	1,737,688

### 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.

840,000 performance rights (refer to note 10) were issued to Key Management Personnel during the reporting period.

No options were exercised by Key Management Personnel during the reporting period.

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

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

### Non-Key Management Personnel disclosures

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

### Acquisition of shares from related parties

There were no acquisitions of shares from related parties in the 2023 financial year (2022: nil).

### Subsidiaries

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

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## 10 SHARE-BASED PAYMENTS

A long-term incentive plan was approved by the Company’s Shareholders at the Annual General Meeting held on 27 November 2020. The 2023 financial year was the third year the incentive was available to be offered to Key Management Personnel and Executive Leadership Team.

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

Financial Year	Tranche	Grant Date	End of Measurement Period	Grant Date Value
FY21	1	27/11/2020	30/06/2023	\$0.055
FY21	2	28/12/2020	30/06/2023	\$0.076
FY22	1	26/11/2021	30/06/2024	\$0.023
FY22	2	15/12/2021	30/06/2024	\$0.020
FY22	3	16/12/2021	30/06/2024	\$0.020
FY22	4	20/12/2021	30/06/2024	\$0.028
FY23	5	03/04/2023	30/06/2025	\$0.024

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

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

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

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

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

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

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

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

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## 10 SHARE-BASED PAYMENTS (CONTINUED)

### Pricing Model

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

INPUT	VALUATION AT VALUATION DATES				
	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5
i. Underlying share price	\$0.130	\$0.120	\$0.120	\$0.150	\$0.13
ii. Exercise price	\$nil	\$nil	\$nil	\$nil	\$nil
iii. Term	2.59yrs	2.54yrs	2.54yrs	2.53yrs	2.24yrs
iv. Risk-free rate	0.735%	0.715%	0.765%	0.711%	2.99%
v. Dividend yield	nil	nil	nil	nil	nil
vi. Volatility (rounded)	74.0%	74.0%	74.0%	74.0%	60.0%
vii. TSR comparison price at start of Measurement Period	\$0.145	\$0.145	\$0.145	\$0.145	\$0.16
viii. TSR hurdle	>0%	>0%	>0%	>0%	>0%

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

PERFORMANCE RIGHTS	Outstanding at 1 July 2021	Granted	Vested	Outstanding at 30 June 2022
Issued on 27 November 2020	1,968,750	-	-	1,968,750
Issued on 21 December 2020	1,770,098	-	-	1,770,098
Issued on 26 November 2021	1,968,750	-	-	1,968,750
Issued on 15 December 2021	231,000	-	-	231,000
Issued on 16 December 2021	133,031	-	-	133,031
Issued on 20 December 2021	2,185,375	-	-	2,185,375
Issued on 3 April 2023	-	2,053,500	-	2,053,500
	8,257,004	2,053,500	-	10,310,504

Performance Rights held by Key Management Personnel are as follows:

KMP	Grant date	Number granted	Vested	Outstanding at 30 June 2023
Linton Burns	27/11/2020	1,968,750	-	1,968,750
Linton Burns	26/11/2021	1,968,750	-	1,968,750
Michael Casey	21/11/2020	800,000	-	800,000
Michael Casey	20/12/2021	800,000	-	800,000
Michael Casey	3/4/2023	840,000	-	840,000
Matthew Cooper	20/12/2021	400,000	-	400,000



## 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

	<b>2023</b>	2022
	<b>\$'000</b>	\$'000
Bank guarantees on issue	<b>4,500</b>	5,967

The Group did not have any other contingent liabilities as at 30 June 2023 (30 June 2022: \$Nil).

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## 12 BUSINESS COMBINATIONS

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

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

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

Acquisition-related costs are expensed as incurred.

The excess of the:

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

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

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

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

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

There were no acquisitions in the year ending 30 June 2023.

As at 30 June 2023, the fair value of contingent consideration with regard to the FY2021 acquisition of SST assets is as follows:

	<b>2023</b>	2022
	<b>\$'000</b>	\$'000
<b>Contingent consideration</b>		
Current	<b>916</b>	605
Non-current	-	1,161
	<b>916</b>	1,766



### 13 DEED OF CROSS GUARANTEE

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

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

**(1) Holding Entity:**

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

**(2) Group Entities**

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

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**13 DEED OF CROSS GUARANTEE (CONTINUED)**

**(2) Group Entities (continued)**

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 2023 of the closed group.

<b>CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b>	<b>2023 \$'000</b>	<b>2022 \$'000</b>
Revenue	<b>108,831</b>	110,812
Cost of providing services	<b>(81,022)</b>	(78,361)
Other income	<b>573</b>	11,227
Impairment charge on Goodwill	<b>(1,410)</b>	(866)
Other operating expenses	<b>(36,313)</b>	(35,320)
Finance (expense)/income	<b>(668)</b>	(709)
<b>(Loss)/profit before income tax</b>	<b>(10,009)</b>	6,783
Income tax expense	<b>371</b>	495
<b>(Loss)/profit for the year</b>	<b>(9,638)</b>	7,278
Other comprehensive income for year, net of tax	<b>(8)</b>	(81)
<b>Total comprehensive (loss)/profit for the year</b>	<b>(9,646)</b>	7,197

<b>SUMMARY OF MOVEMENTS IN CONSOLIDATED RETAINED EARNINGS</b>	<b>2023 \$'000</b>	<b>2022 \$'000</b>
<b>Retained earnings at the beginning of the financial year</b>	<b>(1,446)</b>	(8,724)
Net profit/ (loss) for the year	(9,638)	7,278
<b>Retained earnings at the end of the financial year</b>	<b>(11,084)</b>	(1,446)

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### 13 DEED OF CROSS GUARANTEE (CONTINUED)

#### (2) Group Entities (continued)

Set out below is a consolidated balance sheet as at 30 June 2023 of the closed group.

<b>CONSOLIDATED BALANCE SHEET</b>	<b>2023</b>	2022
	<b>\$'000</b>	\$'000
<b>Current assets</b>		
Cash and cash equivalents	<b>3,883</b>	6,045
Trade and other receivables	<b>16,281</b>	17,287
Contract assets	<b>5,542</b>	6,706
Current tax assets	<b>263</b>	140
<b>Total current assets</b>	<b>25,969</b>	30,178
<b>Non-current assets</b>		
Property, plant and equipment	<b>1,383</b>	1,410
Right-of-Use assets	<b>4,489</b>	6,313
Deferred tax assets	<b>7,437</b>	7,375
Intangible assets	<b>12,566</b>	14,612
<b>Total non-current assets</b>	<b>25,875</b>	29,710
<b>Total assets</b>	<b>51,844</b>	59,888
<b>Current liabilities</b>		
Trade and other payables	<b>13,222</b>	13,009
Contract liabilities	<b>5,920</b>	6,903
Borrowings	<b>6,780</b>	680
Lease liabilities	<b>2,470</b>	2,411
Other financial liabilities	<b>916</b>	605
Employee benefits	<b>4,575</b>	5,327
Provisions	<b>870</b>	588
<b>Total current liabilities</b>	<b>34,753</b>	29,523
<b>Non-current liabilities</b>		
Employee benefits	<b>643</b>	694
Borrowings	<b>-</b>	57
Lease liabilities	<b>3,285</b>	5,228
Other financial liabilities	<b>-</b>	1,161
Provisions	<b>221</b>	552
<b>Total non-current liabilities</b>	<b>4,149</b>	7,692
<b>Total liabilities</b>	<b>38,902</b>	37,215
<b>Net assets</b>	<b>12,942</b>	22,673
<b>Equity</b>		
Share capital	<b>24,133</b>	24,133
Reserves	<b>(107)</b>	(14)
Retained earnings	<b>(11,084)</b>	(1,446)
<b>Total equity</b>	<b>12,942</b>	22,673

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# Directors' Declaration

## In the directors' opinion:

- a. The consolidated financial statements and notes set out on pages 55 to 107 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 2023 and of its performance for the financial year ended on that date, and
- b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and
- c. at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 13 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 13.

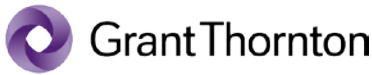
Note 2(a) confirms that the financial statements also complies with International Financial Reporting Standards as disclosed by the International Accounting Standards Board.

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

**Phillip Campbell**  
Chairperson

Brisbane  
30 August 2023

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## Independent Auditor’s Report

To the Members of Verbrec Limited

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of Verbrec Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors’ declaration.

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

- a giving a true and fair view of the Group’s financial position as at 30 June 2023 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board’s *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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**Material uncertainty related to going concern**

We draw attention to Note 2(d) in the financial statements, which indicates that the Group incurred a net loss before tax of \$10m and experienced net cash outflows from operations of \$3.9m during the year ended 30 June 2023, and as of that date, the Group's current liabilities exceeded its current assets by \$9.2m and was in breach of its lending facility covenants. As stated in Note 2(d), these events or conditions, along with other matters as set forth in Note 2(d), indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**Key audit matters**

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

In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
<p><b>Revenue recognition of customer contracts (Note 4a)</b></p> <p>Revenue on customer contracts is earned over time, typically using costs incurred as a proportion of total forecast costs as the measure of progress.</p> <p>Estimating total forecast costs to complete during project life is complex and requires judgement. Typical cost estimates include labour, subcontractors, equipment, materials, and project overheads. Changes to these cost estimates could give rise to variances in the amount of revenue recognised.</p> <p>The revenue on contracts may also include variations and claims, which fall under either the variable consideration or contract modification requirements of AASB 15 <i>Revenue from Contracts with Customers</i>. These are recognised on a contract- by- contract basis when evidence supports that it is highly probable that a significant reversal in the amount of revenue recognised will not occur.</p> <p>We focused on this area as a key audit matter due to the importance of revenue in the measurement of the Group's performance and the significant judgements surrounding the timing and amount of revenue recognition.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• obtaining an understanding of the Group's processes and key controls over contract establishment and project management procedures related to revenue recognition, trade receivables, contract assets and contract liabilities.</li> <li>• reviewing the revenue recognition policies to ensure compliance with accounting standards;</li> <li>• testing key controls over the process to initiate, process and record revenue from contracts, including the allocation of costs to the appropriate contract and relevant IT systems;</li> <li>• selecting a sample of contracts for testing based on quantitative and qualitative risk factors related to the size and risk of projects;</li> <li>• for the sample selected we,                             <ul style="list-style-type: none"> <li>– enquired with key project personnel to assess the project schedule, forecast costs, risks and opportunities;</li> <li>– read relevant contract terms and conditions to evaluate the inclusion of individual characteristics and project risks into the Group's estimates;</li> <li>– tested the variations and claims recognised within revenue against the criteria for recognition in the accounting standards via inspection and assessment of supporting documentation; and</li> <li>– recalculated the progress towards satisfaction of the performance obligation.</li> </ul> </li> <li>• for revenue recognised based on the stage of completion, assessing the cost assumptions used by</li> </ul>



the Group in determining the stage of completion estimate as follows:

- Costs incurred: assessing a sample of costs incurred to date to relevant underlying sources, such as invoices and time keeping records; and
  - Estimated total costs: assessing a sample of total forecast costs for delivery activities for accuracy and reasonableness, observing and evaluating the process management undertakes to review project costing and considering the historical accuracy of management's forecasts.
- testing a sample of training revenue invoices to supporting documentation to evaluate the occurrence and collection of training revenue.
  - evaluating the adequacy of the disclosures made in the financial report in light of the requirements of Australian Accounting Standards.

---

**Recoverability of goodwill and other intangible assets (Note 6c & 8c)**

---

The Group's consolidated statement of financial position includes significant intangible asset balances including goodwill and customer contracts assets.

Pursuant to the requirements of AASB 136 *Impairment of Assets*, Management must assess indefinite life intangibles, such as goodwill, for impairment annually.

Assets are allocated to each of the Group's two cash-generating units (CGUs) - Engineering Services and Training Services.

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

This is a key risk area as impairment testing inherently involves critical accounting estimates and Management judgement.

Our procedures included, amongst others:

- assessing whether management's determination of CGUs is appropriate and consistent with our knowledge of the Group's operations;
  - assessing whether the carrying value of the CGUs included all assets and liabilities directly attributable to the CGU and that the model included all cash flow directly attributable to the CGU and a reasonable allocation of corporate overheads;
  - evaluating the Group's historical ability to forecast future cash flows by comparing budgets with reported actual results;
  - assessing and challenging significant judgements within the model, including the discount rate and growth rates;
  - verifying the mathematical accuracy of the model;
  - evaluating the Group's sensitivity analysis to assess whether a reasonably possible change in underlying assumptions would give rise to an impairment of the Group's goodwill balance;
  - evaluating the adequacy of the disclosures made in the financial report in light of the requirements of Australian Accounting Standards
- 

**Information other than the financial report and auditor's report thereon**

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon.

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



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

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

**Responsibilities of the Directors for the financial report**

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

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

**Auditor's responsibilities for the audit of the financial report**

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

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

**Report on the remuneration report**

**Opinion on the remuneration report**

We have audited the Remuneration Report included in pages 44 to 52 of the Directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Verbrec Limited, for the year ended 30 June 2023 complies with section 300A of the *Corporations Act 2001*.

**Responsibilities**

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

Grant Thornton Audit Pty Ltd  
Chartered Accountants

CDJ Smith  
Partner – Audit & Assurance

Brisbane, 30 August 2023



# ASX Information

Information is correct as at 17 August 2023.

## SHAREHOLDINGS

### TWENTY LARGEST SHAREHOLDERS

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

SHAREHOLDER	UNITS	% OF UNITS
BRIAN PATRICK O'SULLIVAN	35,094,041	15.85
BOS HOLDINGS AUSTRALIA PTY LTD <THE BOS FAMILY A/C>	29,701,738	13.41
GFNA BARTLEY FAMILY PTY LTD <GFNA BARTLEY FAMILY A/C>	17,880,475	8.07
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	15,873,725	7.17
THORNEY HOLDINGS PTY LTD	12,904,412	5.83
UBS NOMINEES PTY LTD	11,805,161	5.33
CANDYBLOSSOM PTY LTD <MIRIMIN INVESTMENTS A/C>	10,921,538	4.93
BLOEMHOF PTY LTD	10,921,538	4.93
HSF SMSF PTY LTD <HORSTMANN SUPER A/C>	5,800,000	2.62
BOS AUSTRALIA SUPER PTY LTD <THE BOS SUPER FUND A/C>	4,615,000	2.08
GIFFARD SERVICES PTY LTD	4,249,093	1.92
MR LINTON WAYNE PAUL BURNS + MRS SUZANNE MARY BYRNE <BURNS FAMILY A/C>	4,057,884	1.83
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,785,136	1.26
MR ANDREW KEITH HORSTMANN + MRS JENNY ANN HORSTMANN <JOCKEY FAMILY A/C>	2,381,155	1.08
NORAMARY CONSULTANCY SERVICES PTY LTD <THE NORAMARY SUPERANNUATION FUND A/C>	1,950,406	0.88
MR LINTON WAYNE PAUL BURNS <LINTON BURNS S/F A/C>	1,943,960	0.88
CRAIG SHEATHER	1,633,887	0.74
CITICORP NOMINEES PTY LIMITED	1,427,658	0.64
NEIL MICHAEL GARDNER	1,396,889	0.63
<b>TOTAL</b>	<b>177,343,696</b>	<b>80.08</b>
Balance of Register	44,132,474	19.92
<b>GRAND TOTAL</b>	<b>221,476,170</b>	<b>100.00</b>

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## SUBSTANTIAL SHAREHOLDERS

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

SHAREHOLDER	UNITS	% OF UNITS
Brian Patrick O'Sullivan	69,410,779	31.34
Thorney Holdings Pty Ltd and TIGA Trading Pty Ltd	24,709,573	11.16
Candyblossom Pty Ltd and Bloemhof Pty Ltd	21,843,076	9.86
GFNA Bartley Family Pty Ltd	17,880,475	8.07
Forager Funds Management Pty Ltd	14,293,724	6.45
<b>TOTAL</b>	<b>148,137,627</b>	<b>66.88</b>
Balance of Register	73,338,543	33.12
<b>GRAND TOTAL</b>	<b>221,476,170</b>	<b>100.00</b>

## DISTRIBUTION RANGES

### ORDINARY SHARES

RANGE	TOTAL HOLDERS	UNITS	% OF UNITS
100,001 and over	106	208,948,071	94.34
10,001 – 100,000	297	10,414,431	4.70
5,001 – 10,000	175	1,416,283	0.64
1,001 – 5,000	182	676,899	0.31
1 – 1,000	73	20,486	0.01
<b>TOTAL</b>	<b>833</b>	<b>221,476,170</b>	<b>100.00</b>

There were 148 holders of unmarketable parcels of less than \$500.

RANGE	TOTAL HOLDERS	UNITS	% OF UNITS
100,001 and over	13	10,254,920	99.03
10,001 – 100,000	1	99,928	0.97
5,001 – 10,000	-	-	-
1,001 – 5,000	-	-	-
1 – 1,000	-	-	-
<b>TOTAL</b>	<b>14</b>	<b>10,354,848</b>	<b>100.00</b>

**UNLISTED OPTIONS:** The Company does not have any unlisted options. .

**VOLUNTARY ESCROW:** Nil.

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

### VOTING RIGHTS:

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

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

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

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

# Corporate Directory

## **DIRECTORS**

Phillip Campbell – Chairman

Matthew Morgan

Sarah Zeljko

Brian O’Sullivan

## **COMPANY SECRETARY**

Joel Voss

## **REGISTERED OFFICE**

Level 14

200 Mary Street

Brisbane QLD 4000

Phone: +61 7 3058 7000

## **SHARE REGISTER**

Computershare Limited

Level 1

200 Mary Street

Brisbane QLD 4000

## **AUDITOR**

Grant Thornton

King George Central

Level 18

145 Anne Street

Brisbane QLD 4000

## **SOLICITOR**

Jones Day

Level 31

123 Eagle Street

Brisbane QLD 4000

## **BANKERS**

Westpac Banking Corporation Limited

Level 2

90 Kittyhawk Drive

Chermside QLD 4032

## **SECURITIES EXCHANGE LISTING**

Verbrec Limited shares are listed on

the Australian Securities

Exchange (ASX Code: VBC)

## **WEBSITE**

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

## **CORPORATE GOVERNANCE STATEMENT**

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

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**VERBREC LIMITED** ABN 90 127 897 689