

VDM GROUP LIMITED

and its Controlled Entities

ABN 95 109 829 334

APPENDIX 4E

PRELIMINARY FINAL REPORT

For the year ended 30 June 2014

VDM GROUP LIMITED

APPENDIX 4E – PRELIMINARY FINAL REPORT

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VDM GROUP LIMITED
APPENDIX 4E – PRELIMINARY FINAL REPORT
RESULTS FOR ANNOUNCEMENT TO THE MARKET
For the year ended 30 June 2014

Appendix 4E

Preliminary final report
Period ending on 30 June 2014
VDM Group Limited

ABN 95 109 829 334

ASX Code: VMG

The information contained in this report relates to the following years:

Current year ended – 30 June 2014

Previous year ended – 30 June 2013

Results for announcement to the market	\$'000	Up/Down	% Movement
Revenue from ordinary activities	24,590	Down	80.8%
Loss from ordinary activities after tax attributable to members	(21,378)	Down	74.7%
Net loss for the period attributable to members	(21,378)	Down	74.7%

Dividend payments

VDM Group does not propose to pay a dividend for the year ended 30 June 2014.

Net tangible assets

	Current year	Previous year
Net tangible assets per ordinary security (cents per share)	0.03	0.22

Results commentary for announcement to the market

Refer to the separate ASX release on 29 August 2014 for further commentary.

VDM GROUP LIMITED
PRELIMINARY STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2014

	Notes	Consolidated	
		2014 \$'000	2013 \$'000
Continuing operations			
Rendering of services		24,406	127,069
Other revenue	2	184	755
Revenue		24,590	127,824
Cost of services		(23,859)	(148,433)
Gross profit / (loss)		731	(20,609)
Administration expenses		(17,039)	(20,141)
Finance costs	4(a)	(245)	(196)
Impairment charge	4(c)	(101)	(17,598)
Share based payment write-back		248	90
Share of loss from joint venture	19	-	(98)
Loss from continuing operations before income tax		(16,406)	(58,552)
Income tax benefit / (expense)	5(a)	1,706	(14,905)
Loss from continuing operations after income tax		(14,700)	(73,457)
Discontinued operations			
Loss from discontinued operations after income tax	6	(6,678)	(10,951)
Loss for the year		(21,378)	(84,408)
Other comprehensive income		-	-
Total comprehensive loss for the year		(21,378)	(84,408)
Total comprehensive loss for the year is attributable to:			
Owners of the parent		(21,378)	(84,408)
		(21,378)	(84,408)
Earnings per share (cents per share)			
Basic, loss for the year attributable to ordinary equity holders of the parent	7	(0.70)	(9.04)
Diluted, loss for the year attributable to ordinary equity holders of the parent	7	(0.70)	(9.04)
Earnings per share for continuing operations (cents per share)			
Basic, loss from continuing operations attributable to ordinary equity holders of the parent	7	(0.48)	(7.87)
Diluted, loss from continuing operations attributable to ordinary equity holders of the parent	7	(0.48)	(7.87)

VDM GROUP LIMITED
PRELIMINARY STATEMENT OF FINANCIAL POSITION
As at 30 June 2014

	Notes	Consolidated	
		2014 \$'000	2013 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	9	3,366	11,857
Security deposits	10	1,242	5,238
Trade and other receivables	11	1,178	12,507
Contracts in progress	12	49	7,848
Development properties	13	3,389	4,061
Investment in joint venture	19	-	1,350
Inventory	14	150	308
Other assets	15	143	728
		9,517	43,897
Non-current assets classified as held for sale	16	-	900
Total current assets		9,517	44,797
Non-current assets			
Trade and other receivables	11	-	258
Security deposits	10	3,584	-
Property, plant and equipment	17	3,320	6,359
Deferred tax assets	5	-	-
Intangible assets and goodwill	18	99	307
Total non-current assets		7,003	6,924
TOTAL ASSETS		16,520	51,721
LIABILITIES			
Current liabilities			
Trade and other payables	20	5,506	26,219
Amounts due to customers for contract work	12	49	7,200
Current tax liabilities		858	3,152
Deferred tax liability	5	-	-
Interest-bearing loans and borrowings	21	4,760	1,782
Provisions	22	3,066	10,493
Total current liabilities		14,239	48,846
Non-current liabilities			
Interest-bearing loans and other borrowings	21	49	299
Lease incentive liability		175	-
Provisions	22	1,128	244
Total non-current liabilities		1,352	543
TOTAL LIABILITIES		15,591	49,389
NET ASSETS		929	2,332
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	23	268,509	248,286
Reserves		636	884
Accumulated losses	24	(268,216)	(246,838)
Parent interests		929	2,332
TOTAL EQUITY		929	2,332

VDM GROUP LIMITED
PRELIMINARY STATEMENT OF CASH FLOWS
For the year ended 30 June 2014

	Notes	Consolidated	
		2014 \$'000	2013 \$'000
Cash flows from operating activities			
Receipts from customers		49,002	319,022
Payments to suppliers and employees		(81,805)	(324,548)
Interest received		129	455
Interest paid		(7)	(243)
GST refunded / (paid)		205	(6,837)
Income tax paid		(590)	-
Net cash flows used in operating activities	25(a)	(33,066)	(12,151)
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,062)	(3,320)
Release from security deposit		413	8,330
Proceeds from sale of property, plant and equipment		1,899	9,674
Sale of interest in joint venture	19	1,350	-
Purchase of intangibles		(12)	(195)
Proceeds from external loans		930	1,634
Payment of settlement adjustments		-	(707)
Net proceeds from sale of subsidiary	6	(644)	1,130
Net cash flows from investing activities		2,874	16,546
Cash flows from financing activities			
Proceeds from borrowings		4,500	995
Repayment of borrowings		(1,682)	(3,513)
Transaction costs on issue of shares		(1,616)	(49)
Proceeds from share placements		20,499	-
Net cash flows from / (used in) financing activities		21,701	(2,567)
Net increase in cash and cash equivalents		(8,491)	1,828
Cash and cash equivalents at beginning of year		11,857	10,029
Cash and cash equivalents at end of year	9	3,366	11,857

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PRELIMINARY STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2014

	Issued capital \$'000	Accumulated losses \$'000	Equity reserve \$'000	Other capital reserve \$'000	Total \$'000
Balance at 1 July 2013	248,286	(246,838)	457	427	2,332
Comprehensive loss for the year	-	(21,378)	-	-	(21,378)
Total comprehensive loss for the year	-	(21,378)	-	-	(21,378)
Transactions with owners in their capacity as owners					
Share issued to H&H at \$0.01 per share on 27 August 2013	1,401	-	-	-	1,401
Issue of conversion shares at \$0.01 per share on 29 November 2013	5,000	-	-	-	5,000
Exercise of bonus issue option at \$0.05 per share on 29 November 2013	2	-	-	-	2
Shares issued to Jimblebar creditors at \$0.01 per share on 29 November 2013	1,440	-	-	-	1,440
Private placement shares issued at \$0.01 per share on 10 December 2013	750	-	-	-	750
Shares issued under the 10 December 2013 entitlements offer prospectus on 28 January 2014	12,147	-	-	-	12,147
Shares issued under the Shortfall offer contained in the 10 December 2013 entitlements offer prospectus on 19 March 2014	1,200	-	-	-	1,200
Capital raising costs	(1,717)	-	-	(248)	(1,965)
Balance at 30 June 2014	268,509	(268,216)	457	179	929
Balance at 1 July 2012	248,612	(162,430)	457	510	87,149
Comprehensive loss for the year	-	(84,408)	-	-	(84,408)
Total comprehensive loss for the year	-	(84,408)	-	-	(84,408)
Transactions with owners in their capacity as owners					
Reversal of tax benefits on capital raising costs in prior years	(268)	-	-	-	(268)
Transactions costs on share and option issue	(51)	-	-	-	(51)
Share-based payments	(7)	-	-	(83)	(90)
Balance at 30 June 2013	248,286	(246,838)	457	427	2,332

VDM GROUP LIMITED

PRELIMINARY NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

1. SEGMENT INFORMATION

At 30 June 2013, VDM was organised into three reportable segments for management purposes namely Eastern Construction, Western Construction and Consulting. Since 30 June 2013, VDM has sold Eastern Construction, which comprised of VDM Construction (Eastern Operations) and divested the majority of its Consulting Businesses. Both reportable segments have been recognised as a discontinued operation for the year ended 30 June 2014. The Chief Operating Decision Makers of the Group are the Board of Directors. Based on internal reports provided to the Chief Operating Decision Makers, which are used to assess performance and allocate resources, there is only one remaining operating segment being the provision of construction services in Western Australia. Accordingly, the financial results from this segment will be equivalent to the financial statements of the Group as a whole.

	Consolidated	
	2014	2013
	\$'000	\$'000
2. OTHER REVENUE		
Interest	127	414
Rental income	-	206
Other	57	135
Total other revenue	184	755
3. OTHER INCOME		
Gain on disposal of property, plant and equipment	1,056	3,393
Total other income	1,056	3,393
4. EXPENSES		
(a) Finance costs		
Finance charges payable under hire purchase contracts	33	50
Bank loans and overdrafts	212	146
Total finance costs	245	196
(b) Depreciation and amortisation		
Depreciation	1,284	2,834
Amortisation of development costs and software	110	212
Total depreciation and amortisation	1,394	3,046
Depreciation and amortisation included in cost of services	882	2,476
(c) Impairment charges		
Impairment of goodwill (note 18)	-	16,717
Impairment of assets	-	370
Impairment of development properties (note 13(b))	-	115
Impairment of non-current assets held for sale (note 16(a))	-	395
Impairment of property, plant and equipment (note 17(a))	101	-
Total impairment charges	101	17,598

VDM GROUP LIMITED
PRELIMINARY NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

	2014	Consolidated 2013
(d) Employee benefits expense	\$'000	\$'000
Wages and salaries	11,335	45,525
Restructuring/ redundancy costs	765	172
Superannuation expense	554	1,492
Share based payment expense / (write-back)	(248)	(90)
Other employee benefits expense	324	2,140
Total employee benefits expense	12,730	49,239
Employee benefit expenses included in cost of services	6,164	37,567
Employee benefit expenses included in administration expenses	6,566	11,672

5. INCOME TAX

(a) Income tax expense

Income statement

Current income tax:

Income tax benefit on adjustments in respect of current income tax of previous years	(1,706)	-
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Deferred income tax:

Relating to origination & reversal of temporary differences	-	234
Prior year tax losses no longer recognised	-	14,685
Losses recognised	-	-
Adjustments in respect of deferred income tax of previous years	-	(14)
Income tax expense reported in the income statement	(1,706)	14,905

Statement of changes in equity

Deferred income tax:

Paid up capital	-	268
Income tax expense reported in equity	-	268

(b) Numerical reconciliation between aggregate tax expense recognised in the income statement and the tax expense calculated in the statutory income tax return

Accounting loss before tax from continuing operations	(16,406)	(58,552)
Accounting loss before tax from discontinued operations	(6,678)	(10,886)
Accounting loss before income tax	(23,084)	(69,438)
Prima facie income tax benefit @ 30%	(6,925)	(20,831)
Employee share based payments	74	(27)
Non deductible items	408	6,953
Unrecognised deductible temporary differences	6,443	14,203
Prior year tax losses no longer recognised	-	14,686
Other adjustments – discontinued operations	-	-
Prior year over provision	(1,706)	(14)
Aggregate income tax expense	(1,706)	14,970
Income tax expense reported in the consolidated income statement	(1,706)	14,905
Income tax expense attributed to discontinued operations	-	65
Aggregate income tax expense	(1,706)	14,970

VDM GROUP LIMITED
PRELIMINARY NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

	Statement of financial position		Statement of comprehensive income	
	2014	2013	2014	2013
(c) Recognised deferred tax asset and liabilities	\$'000	\$'000	\$'000	\$'000
Consolidated				
Deferred tax liabilities				
Contracts in progress and inventory	(59)	(2,447)	(2,387)	(3,457)
Other	-	(306)	(306)	306
Gross deferred tax liabilities	(59)	(2,753)	(2,693)	(3,151)
Deferred tax assets				
Provision for employee entitlements	140	1,294	1,154	355
Provisions – other	1,064	73	(156)	76
Recognised income tax revenue losses	-	-	-	14,685
Trade and other receivable	1,541	872	(669)	40
Trade and other payables	720	3,481	2,761	(2,308)
Other assets	-	-	-	-
Property, plant and equipment	483	483	-	-
Contributed equity	727	571	374	268
Discontinued operations	-	-	-	(65)
Other	437	449	11	803
Deferred tax assets not recognised	(5,053)	(4,470)	(782)	4,470
Gross deferred tax assets	59	2,753	2,693	18,324
Deferred tax expense	-	-	-	15,173
Net deferred tax asset recognised in the balance sheet	-	-	-	-

(d) Tax losses

VDM has estimated tax losses of \$122,028,000 (2013: \$98,226,000). Utilisation of the carried forward tax losses by the company is subject to satisfaction of the Continuity of Ownership Test ("COT") or, failing that, the Same Business Test ("SBT"). It is likely that VDM has failed COT during the 2014 financial year, therefore in order to be able to utilise the losses in the future, VDM will be required to satisfy the SBT. Where VDM derives assessable income in a future income year, an assessment of whether the same business has been carried on between just before the COT failure and the intervening period will determine whether the losses are available for utilisation.

(e) Unrecognised temporary differences

At 30 June 2014, there are no unrecognised temporary differences associated with VDM's investments in subsidiaries, or joint ventures, as VDM has no liability for additional taxation should unremitted earnings be remitted (2013: nil).

(f) Tax consolidation

Members of the tax consolidation group and the tax sharing arrangement

VDM and its 100% owned Australian resident subsidiaries formed a tax consolidated group with effect from 1 July 2004. VDM Ltd is the head entity of the tax-consolidated group. Members of VDM have entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

VDM GROUP LIMITED

PRELIMINARY NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

Tax effect accounting by members of the tax consolidated group

Tax expense/ income benefit, deferred tax liabilities and deferred tax assets arising from temporary differences are recognised in the separate financial statements of the members of the tax consolidated group using the group allocation method. Current tax liabilities and assets and deferred tax assets and liabilities arising from unused tax losses and tax credits of the members of the tax consolidated group are recognised by the Company (as head entity in the tax consolidated group).

Members of the tax-consolidated group have entered into a tax funding agreement. Amounts are recognised as payable to or receivable by the Company and each member of the tax consolidated group in relation to the current tax liability paid or payable by the subsidiaries. Current tax liabilities in the subsidiaries are reflected back to the parent entity by way of specific tax loan accounts calculated and based on taxable income.

6. DISCONTINUED OPERATION

On 7 October 2013, VDM sold 100% of the issued share capital of VDM Construction (Eastern Operations) Pty Ltd for \$2,750,000. The business has been recognised in the accounts as a discontinued operation

VDM announced on 28 November 2013 that it had divested the majority of its Consulting Businesses via a series of management buy-outs. The businesses have been recognised as a discontinued operation.

The comparative discontinued operation results include the sale of Como Engineers Pty Limited, which was completed on 10 April 2013.

	2014	2013
	\$'000	\$'000
Financial performance of discontinued operation		
Revenue	19,988	100,968
Expenses	(24,950)	(106,013)
Finance costs	(4)	(47)
Loss on re-measurement to fair value less costs to sell		
Plant and equipment	(1,712)	-
Goodwill (note 18)	-	(5,794)
Loss on sale of discontinued operations	(6,678)	(10,886)
Tax (expense) / benefit	-	(65)
Loss from discontinued operations	(6,678)	(10,951)
Earnings per share from discontinued operations		
Basic, loss for the year, from discontinued operations (cents per share)	(0.22)	(1.17)
Diluted, loss for the year from discontinued operations (cents per share)	(0.22)	(1.17)
Assets and liabilities and cash flow information of the disposed entities / businesses		
<i>Assets</i>		
Cash and cash equivalents	3,666	3,869
Development properties	675	-
Plant and equipment	765	1,063
Intangible assets	80	126
Contracts in progress	6,181	427
Trade receivables	1,472	2,205
Other assets	387	142
	13,226	7,832
<i>Liabilities</i>		
Trade and other liabilities	8,714	2,353
Interest bearing debt	159	-
Provision for employee entitlements	1,274	480
	10,147	2,833
Net assets attributable to discontinued operations	3,079	4,999

VDM GROUP LIMITED
PRELIMINARY NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

	2014	2013
	\$'000	\$'000
Sale proceeds	3,079	5,450
Transactions costs	(3,666)	(451)
Net proceeds	(587)	4,999
Less cash and cash equivalents	(57)	(3,869)
Net cash flows from disposals	(644)	1,130

<i>Net cash flows</i>		
Operating	(1,708)	(168)
Investing	731	2,315
Financing	(1,080)	(20)
Net cash (outflow) / inflow	(2,057)	2,127

	2014	Consolidated 2013
	\$'000	\$'000
7. EARNINGS PER SHARE		

The following reflects the information used in the basic earnings per share computations:

(a) Loss used in calculating loss per share

Net loss from continuing operations attributable to ordinary equity holders of the parent	(14,700)	(73,457)
Net loss from discontinued operations attributable to ordinary equity holders of the parent	(6,678)	(10,951)
Net loss attributable to ordinary equity holders of the parent for basic earnings	(21,378)	(84,408)

	2014	Consolidated 2013
(b) Weighted average number of shares		
Weighted average number of ordinary shares for basic and diluted earnings per share	3,072,668,136	933,884,774

VDM GROUP LIMITED
PRELIMINARY NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

	2014	Consolidated
	\$'000	2013 \$'000
8. DIVIDENDS PROPOSED AND PAID		
(a) Declared and paid during the year:		
Dividends on ordinary shares:		
Final fully franked dividend for 2013: nil cents per share (2012: nil cents per share)	-	-
Interim fully franked dividend for 2014: nil cents per share (2013: nil cents per share)	-	-
	-	-

(b) Dividend proposed, not recognised as a liability:

Final fully franked dividend for 2014: nil cents per share (2013: nil cents per share)	-	-
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(c) Franking credits:

Franking credits available for the subsequent financial year:		
- franking account balance as at the end of the financial year at 30% (2013: 30%)	3,459	3,459
- franking debits that will arise from the refunds of income tax receivable as at the end of the financial year	-	-
Franking credits available for future periods	3,459	3,459

(d) Tax rates:

The tax rate at which paid dividends have been franked is 0%.

9. CASH AND CASH EQUIVALENTS

Cash at bank and in hand	3,366	11,857
Total cash and cash equivalents	3,366	11,857

Cash at bank earns interest at floating rates based on daily or term bank deposit rates.

Reconciliation to cash flow statement

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following at 30 June:

Cash at bank and in hand	3,366	11,857
Total cash for reconciliation of cash flow statement	3,366	11,857

10. SECURITY DEPOSITS

Current

Security deposits	1,242	5,238
Total security deposits	1,242	5,238

Non-Current

Security deposits	3,584	-
Total security deposits	3,584	-

Under the terms of the agreement with its principal banker and bond provider, VDM is required to place on deposit amounts as surety for bank guarantees and bonds issued in favour of VDM. The cash placed on deposit was not available for immediate use.

VDM GROUP LIMITED
PRELIMINARY NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

	2014	Consolidated 2013
	\$'000	\$'000
11. TRADE AND OTHER RECEIVABLES		
Current		
Trade receivables	5,891	12,684
Allowance for impairment loss	(5,138)	(2,907)
	753	9,777
Other debtors	1,078	2,256
Retentions	16	1,143
Loans to related entities	788	788
Allowance for impairment of related loans and other debtors	(1,457)	(1,457)
Total current receivables	1,178	12,507
Non-Current		
Loan receivable	-	258
	-	258
(a) Ageing of trade receivables		
0-30 days	331	5,639
31- 60 days	99	2,741
> 60 days PDNI	323	1,397
> 60 days CI	5,138	2,907
	5,891	12,684
<i>PDNI – Past due but not impaired</i>		
<i>CI – Considered impaired</i>		
(b) Allowance for impairment loss		
Balance at 1 July	4,364	3,462
Charge for the year	3,108	2,714
Utilised	(877)	(1,812)
At 30 June	6,595	4,364

Trade receivables are non-interest bearing and are generally on 30-60 day terms. An allowance for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. An impairment loss of \$3,108,000 (2013: \$2,714,000 impairment loss) has been recognised by VDM.

VDM GROUP LIMITED
PRELIMINARY NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

	2013	Consolidated
	\$'000	\$'000
12. CONTRACTS IN PROGRESS		
Contract costs incurred to date	53,109	218,217
Profit recognised to date (less recognised losses)	5,235	(228)
Less progress billings	(58,351)	(217,801)
<u>Total construction contracts in progress</u>	<u>(7)</u>	<u>188</u>
Represented by:		
Amounts due from customers for contract work	42	7,388
Amounts due to customers for contract work	(49)	(7,200)
<u>Total construction contracts in progress</u>	<u>(7)</u>	<u>188</u>
Amounts due from customers for contract work	42	7,388
Other work in progress	7	460
<u>Total contracts in progress</u>	<u>49</u>	<u>7,848</u>
Amounts due to customers for contract work	(49)	(7,200)
Other	-	-
<u>Total amounts due to customers for contract work</u>	<u>(49)</u>	<u>(7,200)</u>

13. DEVELOPMENT PROPERTIES

Development properties	3,389	4,061
<u>Total development properties</u>	<u>3,389</u>	<u>4,061</u>

Development properties represent a minority interest in an undeveloped land parcel and a 52% interest in an undeveloped land parcel held within the Quartz Trust.

No interest was capitalised during the 2014 financial year (2013: nil).

(a) Reconciliation of carrying amounts

At 1 July	4,061	4,081
Additions	3	95
Discontinued operations (note 6)	(675)	-
Impairment of development properties (note 13(b))	-	(115)
<u>At 30 June</u>	<u>3,389</u>	<u>4,061</u>

(b) Impairment of development properties

There was no impairment loss recognised in the statement of comprehensive income in the 2014 financial year of (2013: \$115,000).

14. INVENTORY

Consumables at cost	150	308
<u>Total inventories</u>	<u>150</u>	<u>308</u>

VDM GROUP LIMITED
PRELIMINARY NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

	2013	Consolidated
	\$'000	2013
		\$'000
15. OTHER CURRENT ASSETS		
Prepayments	143	728
Total other current assets	143	728

16. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

Other property, plant and equipment	-	900
Total non-current assets classified as held for sale	-	900

(a) Reconciliation of carrying amounts

At 1 July	900	1,295
Transferred in	-	-
Sale	-	(950)
Transfer (to) / from property, plant and equipment (note 17(a))	(900)	950
Impairment	-	(395)
At 30 June	-	900

17. PROPERTY, PLANT AND EQUIPMENT

Leasehold improvements at cost	683	1,043
Accumulated depreciation	(177)	(135)
	506	908
Freehold land and buildings at cost	900	-
Accumulated depreciation	-	-
	900	-
Plant and equipment under lease at cost	611	2,381
Accumulated depreciation and impairment	(124)	(1,267)
	487	1,114
Plant and equipment at cost	8,582	16,035
Accumulated depreciation and impairment	(7,155)	(11,698)
	1,427	4,337
Total property, plant and equipment	3,320	6,359

VDM GROUP LIMITED
PRELIMINARY NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

	2014	Consolidated 2013
(a) Reconciliation of carrying amount	\$'000	\$'000
<i>Leasehold improvements</i>		
At 1 July net of accumulated depreciation	908	615
Additions	173	2,511
Disposals	(11)	(2,061)
Write down	(14)	-
Impairment	(101)	-
Depreciation	(221)	(172)
Discontinued operations (note 6)	(840)	(13)
Transferred from plant & equipment and plant & equipment under lease	612	28
At 30 June net of accumulated depreciation	506	908
<i>Freehold land and buildings</i>		
At 1 July net of accumulated depreciation	-	950
Transferred from / (to) non-current assets held for sale (note 16(a))	900	(950)
At 30 June net of accumulated depreciation	900	-
<i>Plant and equipment under lease</i>		
At 1 July net of accumulated depreciation	1,114	869
Additions	-	734
Disposals	(19)	(130)
Depreciation	(133)	(368)
Transferred (to) / from plant & equipment and leasehold improvements	(7)	77
Discontinued operations (note 6)	(468)	(68)
At 30 June net of accumulated depreciation	487	1,114
<i>Plant and equipment</i>		
At 1 July net of accumulated depreciation	4,337	10,413
Additions	889	771
Disposals	(811)	(3,130)
Depreciation	(1,114)	(3,165)
Transferred (to) plant & equipment under lease and leasehold improvements	(605)	(105)
Write down	(100)	-
Transfer from non-current assets classified as held for sale (note 16(a))	-	-
Discontinued operations at cost (note 6)	(1,169)	(447)
Impairment	-	-
At 30 June net of accumulated depreciation	1,427	4,337
Total property, plant and equipment	3,320	6,359

(b) Plant and equipment pledged as security for liabilities

Included in the balances above are assets of VDM to the value of \$487,000 (2013: \$1,114,000) granted as security for hire purchase debts. There are floating charges over the remaining property, plant and equipment, refer to Note 21(a) for details of plant and equipment pledged as security for borrowings.

(c) Impairment of property, plant and equipment

Within VDM, recoverable amount was estimated for property, plant and equipment based on current market value. There was an impairment loss of \$101,000 (2013: \$nil) recognised in the statement of comprehensive income to reduce the carrying amount of plant and equipment to its recoverable amount. There was no reversal of impairment charges recognised in prior periods.

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(d) Transfers

At 30 June 2014, freehold land and building to the value of \$900,000 was transferred from non-current assets classified as held for sale to property, plant and equipment as a result of a change in use.

	2014	Consolidated
	\$'000	2013
		\$'000
18. INTANGIBLE ASSETS AND GOODWILL		
Goodwill	-	-
Software	3,025	4,090
Accumulated amortisation and impairment	(2,926)	(3,783)
Total intangibles assets and goodwill	99	307

(a) Reconciliation of carrying amounts

<i>Goodwill</i>		
At 1 July	-	22,511
Impairment of goodwill	-	(16,717)
Discontinued operations (note 6)	-	(5,794)
At 30 June	-	-
<i>Software</i>		
At 1 July net of accumulated amortisation	307	643
Additions	12	195
Disposals	-	(35)
Amortisation	(140)	(370)
Discontinued operations (note 6)	(80)	(126)
At 30 June net of accumulated amortisation	99	307

(b) Impairment losses recognised

There was no impairment loss recognised in the statement of comprehensive income during the year ended 30 June 2014 in relation to intangible assets. An impairment loss of \$16,717,000 was recognised for continuing operations during the year ended 30 June 2013.

19. INVESTMENT IN ASSOCIATE AND A JOINT VENTURE

On 9 August 2013, VDM sold its 52% interest in Quartz South Hedland Pty Ltd, a jointly controlled entity involved in the development of a property for \$1,350,000.

VDM's share of the assets and liabilities as at 30 June 2014 and 2013 and income and expenses of the jointly controlled entity for the years ended 30 June 2014 and 2013, which was proportionately consolidated in the financial statements, are as follows:

Share of the joint venture's statement of financial position

Current assets	-	1,350
Equity	-	1,350

Share of the joint venture's revenue and profit

Impairment	-	(98)
Loss for the year from continuing operations	-	(98)

The joint venture has no contingent liabilities or capital commitments as at 30 June 2014 and 2013.

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	2014	Consolidated
	\$'000	2013 \$'000
20. TRADE AND OTHER PAYABLES		
Current		
Trade payables and accruals	3,004	19,162
Employee related payables	59	1,140
Sundry creditors	2,361	5,060
GST payable	82	857
Total current payables	5,506	26,219
21. INTEREST-BEARING LOANS AND OTHER BORROWINGS		
Current		
Interest bearing loan (9% fixed secured loan)	-	1,018
Australia Kengkong (10% fixed unsecured loan)	4,569	-
Insurance premium funding	-	442
Hire purchase liabilities	191	322
Total current interest-bearing loans and borrowings	4,760	1,782
Non-Current		
Hire purchase liabilities	49	299
Total non-current interest-bearing loans and borrowings	49	299
(a) Assets pledged as security		
<i>Finance arrangements</i>		
Plant and equipment	487	1,114
<i>Floating charge</i>		
All the remaining wholly owned assets	16,033	56,739
(b) Total financing facilities		
Bank overdrafts	139	450
Bank guarantees	2,085	7,000
Contract performance bond	5,287	25,000
Total financing facilities available	7,511	32,450

The contract performance bond facility limit equals the value of the drawn bonds and the limit automatically reduces as bonds are returned or expire. The bank guarantee and credit card facilities are available subject to annual review. At 30 June 2014, \$1,957,000 (2013: \$4,798,000) was drawn on the bank guarantee facility and \$5,287,000 (2013: \$18,087,000) was drawn on the contract performance bond facility.

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PRELIMINARY NOTES TO THE FINANCIAL STATEMENTS
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	2014	Consolidated
	\$'000	2013
		\$'000
22. PROVISIONS		
Current		
Provision for employee entitlements	457	4,324
Provision for insurance excess	170	-
Provision for warranty	765	621
Provision for onerous contracts	1,666	-
Provision for loss making contracts	8	5,548
Total current provision	3,066	10,493
Non-Current		
Provision for employee entitlements	10	244
Provision for onerous leases	1,118	-
Total non-current provision	1,128	244

(a) Movements in provisions

	Employee entitlements	Insurance excess	Warranty	Onerous contracts	Loss making contracts	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2013	4,568	-	621	-	5,548	10,737
Discontinued operations	(1,274)	-	-	-	-	(1,274)
Arising during the year	-	170	313	3,605	-	4,088
Utilised	(2,827)	-	(169)	(821)	(5,540)	(9,357)
Balance at 30 June 2014	467	170	765	2,784	8	4,194
Current	457	170	765	1,666	8	3,066
Non-Current	10	-	-	1,118	-	1,128
Total provisions	467	170	765	2,784	8	4,194

(b) Nature and timing of provisions

Insurance excess

A provision is recognised for the balance of the excess expected to be paid on a professional indemnity insurance claim. It is expected that these costs will be incurred in the next financial year

Maintenance

A provision is recognised for expected defect claims on completed construction projects based on past experience. It is expected that these costs will be incurred in the next financial year.

Onerous contracts

A provision is recognised for expected net unavoidable costs of meeting its obligations under onerous contracts.

Loss making contracts

A provision is recognised for the expected loss on construction contracts.

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	2014	Consolidated
	\$'000	2013
		\$'000
23. CONTRIBUTED EQUITY		
(a) Ordinary shares		
Issued and fully paid	268,509	248,286

Movement in ordinary shares on issue

		Shares	Value (\$'000)
Balance at 30 June 2013		933,873,071	248,286
Share issued to H&H at \$0.01 per share	27 August 2013	140,080,961	1,401
Issue of conversion shares at \$0.01 per share	29 November 2013	500,000,000	5,000
Exercise of bonus issue option at \$0.05 per share	29 November 2013	43,386	2
Shares issued to Jimblebar creditors at \$0.01 per share	29 November 2013	143,977,917	1,440
Private placement shares issued at \$0.01 per share	10 December 2013	75,000,000	750
Shares issued under the 10 December 2013 entitlements offer prospectus	28 January 2014	1,214,685,617	12,147
Shares issued under the Shortfall offer contained in the 10 December 2013 entitlements offer prospectus	19 March 2014	120,000,000	1,200
Capital raising costs			(1,717)
Balance at 30 June 2014		3,127,660,952	268,509

(b) Terms and conditions of contributed equity

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

24. RETAINED EARNINGS AND RESERVES

(a) Movement in retained earnings

Balance at the beginning of the year	(246,838)	(162,430)
Net loss attributable to members of VDM Group Ltd	(21,378)	(84,408)
Balance at the end of the year	(268,216)	(246,838)

(b) Movement in other capital reserve

Balance at the beginning of the year	427	510
Share based payment	(248)	(83)
Balance at the end of the year	179	427

The other capital reserve is used to record the value of share based payment provided to employees, including KMP, as part of their remuneration.

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	2014	Consolidated
(c) Movement in equity reserve	\$'000	2013 \$'000
Balance at the beginning of the year	457	457
Balance at the end of the year	457	457

The equity reserve is used to record differences between the carrying value of non-controlling interests and the consideration paid/received, where there has been a transaction involving non-controlling interests that do not result in a loss of control. The reserve is attributable to the equity of the parent.

25. CASHFLOW STATEMENT INFORMATION

(a) Reconciliation of net profit after tax to the net cash flows from operations

<i>Net loss after tax</i>	(21,378)	(84,408)
<i>Non-Cash Items:</i>		
Depreciation	1,468	3,705
Amortisation	140	370
Impairment of goodwill, assets, development costs and software	101	19,486
Assets written off	114	26
Allowance for doubtful debts	3,108	2,714
Net profit on disposal of property, plant and equipment	(1,058)	(3,383)
Share based payment reversal	(248)	(90)
Settlement transaction costs from sale of subsidiary	-	451
Profit on sale of subsidiary	-	(879)
Loss recognised on remeasurement to fair value less costs to sell	1,712	4,004
Loss on onerous contract	3,183	-
Interest expense accrued	242	-
Lease expense	194	-
<i>Change in assets and liabilities:</i>		
Decrease in trade and other receivables	6,131	29,249
Increase / (decrease) in contracts in progress	(5,531)	15,035
Decrease in other assets	198	1,508
Increase in development properties	(3)	(95)
Decrease in inventory	158	555
Decrease in deferred tax assets	-	14,968
Decrease in trade and other creditors	(11,302)	(18,551)
Decrease / (increase) in provisions	(8,001)	3,177
Decrease / (increase) in current tax payable	(2,294)	7
Net cash flows used in operating activities	(33,066)	(12,151)

(b) Non-cash financing and investing activities

Purchase of property, plant and equipment on hire purchase	-	(734)
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26. AUDIT

This preliminary financial report is based on financial statements that are in the process of being audited. It is expected that the Independent Auditor will provide an unqualified opinion with an emphasis of matter to draw attention to the Company's going concern note disclosure.