



Appendix 4E

Preliminary final report Year ended 30 June 2017

VDM Group Limited

ABN 95 109 829 334
ASX Code: VMG

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

Current year - year ended 30 June 2017

Prior year - year ended 30 June 2016

Results for the current year (\$000)		Change from the prior year	
Revenue from continuing operations	1,430	Up	170.3%
Loss from continuing operations after tax attributable to members	(3,890)	Down	13.9%
Net loss for the year attributable to members	(3,231)	Down	40.4%

Net tangible assets	Current Year	Prior year
Net tangible liabilities ⁽¹⁾ per ordinary security as at 30 June (cents per share)	(0.20)	(0.10)

Notes:

1. Exploration and evaluation assets are excluded from "tangible assets" for purposes of above calculation.

Dividend payments:

VDM does not propose to pay a dividend for the year ended 30 June 2017.

Supplementary Comments

Additional Appendix 4E disclosures are contained in the attached preliminary financial report for the year ended 30 June 2017.



VDM GROUP LIMITED

and its Controlled Entities

ABN 95 109 829 334

**PRELIMINARY FINAL REPORT
YEAR ENDED 30 JUNE 2017**

VDM GROUP LIMITED

CORPORATE INFORMATION

DIRECTORS

Mr Luk Hiuming	Non-executive Chairman
Dr Hua Dongyi	Executive Director of Mining
Mr Michael Fry	Non-executive Director

CHIEF EXECUTIVE OFFICER

Mr Sam Diep (until 28 August 2017)

COMPANY SECRETARY AND CHIEF FINANCIAL OFFICER

Mr Pdraig O'Donoghue

REGISTERED AND PRINCIPAL OFFICE

Level 1, 30 Terrace Road
East Perth WA 6004
Telephone (08) 9265 1100
Facsimile (08) 9265 1199
Website <http://www.vdmgroup.com.au>

POSTAL ADDRESS

PO Box 3347
East Perth WA 6892

AUDITORS

Ernst & Young
11 Mounts Bay Road
Perth WA 6000

SHARE REGISTER

Computershare Investor Services Pty Limited
GPO Box 2975
Melbourne, VIC 3001
Telephone 1300 850 505
(outside Australia) +61 3 9415 4000

VDM Group Limited shares are listed on the Australian Securities Exchange (ASX)

ASX Code	VMG
ACN	109 829 334
ABN	95 109 829 334

In this report, the following definitions apply:

“**Board**” means the Board of Directors of VDM Group Limited

“**Company**” means VDM Group Limited ABN 95 109 829 334

“**VDM**” or “**Group**” means VDM Group Limited and its controlled entities

VDM GROUP LIMITED
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VDM GROUP LIMITED

OPERATING AND FINANCIAL REVIEW

OPERATING AND FINANCIAL REVIEW

The Mining division worked with its project partners to mobilise the initial exploration team members to the Cachoeiras do Binga project in Angola (**CdB**) and perform a small amount of preliminary exploration work. The CdB exploration program has experienced delays, mainly related to potential safety hazards identified at site. The CdB partners are receiving excellent assistance and cooperation from the Government of Angola, exploration contractor Shandong Geo Mineral International, and technical services contractor SRK Consulting in addressing the situation and all parties remain committed to the project and completing the exploration program.

The Construction division delivered imported structural steel to Western Australian construction clients.

The Trading division undertook minimal activity while the Company searches for a partner to scale the trading business to market-competitive levels.

VDM has exited the equipment business. Accordingly the results of the Equipment division are reported as discontinued operations.

Revenue from continuing operations was \$1,430,000 (2016: \$529,000), an increase of 170.3% from the prior year reflecting higher structural steel supply revenue within the Construction division, partially offset by lower trading division revenue.

The loss from continuing operations after tax of \$3,890,000 (2016: \$4,516,000) is 13.9% lower than the prior year, mainly due to higher revenue.

Discontinued operations provided a profit after income tax in the current year of \$659,000 versus a loss of \$908,000 in the prior year, mainly due to a \$1,256,000 gain from the sale of discontinued assets.

VDM GROUP LIMITED
PRELIMINARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 \$000	2016 \$000
Continuing operations			
Revenue	2	1,430	529
Expenses			
Materials and inventory		(1,201)	(405)
Employee benefits expense	3a	(1,970)	(2,913)
Occupancy related expenses		(613)	(620)
Depreciation and amortisation	3b	(176)	(190)
Impairment	3c	(412)	-
Onerous contracts expense		(29)	(207)
Legal expenses		(98)	(99)
Finance costs	3d	(474)	(83)
Other expenses	3e	(347)	(528)
Total expenses		(5,320)	(5,045)
Loss from continuing operations before income tax		(3,890)	(4,516)
Income tax expense	5	-	-
Loss from continuing operations after income tax		(3,890)	(4,516)
Discontinued operations			
Profit/(loss) from discontinued operations after income tax	4	659	(908)
Loss for the year		(3,231)	(5,424)
Other comprehensive income		-	-
Total comprehensive loss for the year		(3,231)	(5,424)
Total comprehensive loss for the period is attributed to:			
Owners of the parent		(3,231)	(5,424)
		(3,231)	(5,424)
Loss per share			
Basic loss per share (cents per share)		(0.06)	(0.11)
Diluted loss per share (cents per share)		(0.06)	(0.11)
Loss per share from continuing operations			
Basic loss per share (cents per share)		(0.07)	(0.09)
Diluted loss per share (cents per share)		(0.07)	(0.09)

VDM GROUP LIMITED
PRELIMINARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Notes	2017 \$000	2016 \$000
ASSETS			
Current assets			
Cash and cash equivalents	8	1,366	2,045
Security deposits	9	198	204
Trade and other receivables	10	538	194
Inventory	11	165	69
Other assets	12	-	1
Total current assets		2,267	2,513
Non-current assets			
Security deposits	9	819	872
Investment accounted for using the equity method	13	-	682
Exploration and evaluation assets	14	10,783	8,275
Development properties	15	1,600	2,012
Property, plant and equipment	16	978	1,723
Total non-current assets		14,180	13,564
Total assets		16,447	16,077
LIABILITIES			
Current liabilities			
Trade and other payables	18	5,465	5,847
Interest-bearing loans and borrowings	19	9,098	4,421
Provisions	20	2,021	2,073
Total current liabilities		16,584	12,341
Non-current liabilities			
Provisions	20	48	690
Total non-current liabilities		48	690
Total liabilities		16,632	13,031
Net (liabilities)/assets		(185)	3,046
Equity			
Contributed equity	24	288,722	288,722
Equity reserve	22	457	457
Retained losses	22	(289,364)	(286,133)
Total equity		(185)	3,046

VDM GROUP LIMITED
PRELIMINARY CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 \$000	2016 \$000
Cash flows from operating activities			
Receipts from customers		2,093	1,122
Payments to suppliers and employees		(6,440)	(8,307)
Interest received		20	93
GST (paid)/refunded		(53)	666
Net cash flows used in operating activities	23	(4,380)	(6,426)
Cash flows from investing activities			
Purchase of property, plant and equipment		(1)	(27)
Release from security deposit		59	351
Proceeds from sale of property, plant and equipment		1,869	352
Proceeds from joint venture capital return		274	-
Net cash flows from investing activities		2,201	676
Cash flows from financing activities			
Proceeds from borrowings		1,500	4,346
Repayment of borrowings		-	(65)
Transaction costs on issue of shares		-	(10)
Net cash flows from financing activities		1,500	4,271
Net decrease in cash and cash equivalents		(679)	(1,479)
Cash and cash equivalents at beginning of period		2,045	3,524
Cash and cash equivalents at end of period	8	1,366	2,045

VDM GROUP LIMITED
PRELIMINARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

	Issued Capital Ordinary \$000	Accumulated Losses \$000	Equity Reserve \$000	Total \$000
Balance at 1 July 2016	288,722	(286,133)	457	3,046
Comprehensive loss for the year	-	(3,231)	-	(3,231)
Total comprehensive loss for the year	-	(3,231)	-	(3,231)
Balance at 30 June 2017	288,722	(289,364)	457	(185)
Balance at 1 July 2015	285,444	(280,709)	457	5,192
Comprehensive loss for the year	-	(5,424)	-	(5,424)
Total comprehensive loss for the year	-	(5,424)	-	(5,424)
Transactions with owners in their capacity as owners				
Shares issued on 16 February 2016, as part consideration for interest in Cachoeiras do Binga	3,250	-	-	3,250
Capital raising costs	(10)	-	-	(10)
Capital raising costs reclassified to expenses	38	-	-	38
Balance at 30 June 2016	288,722	(286,133)	457	3,046

VDM GROUP LIMITED
PRELIMINARY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

1. SEGMENT INFORMATION

VDM is arranged under three operating divisions: i) construction, ii) trading, and iii) mining. Each division was a reportable segment in the current reporting period. The accounting policies adopted for the reportable segment are consistent with those followed in the preparation of the Group's financial statements for the year ended 30 June 2016.

The following table presents the revenue, profit and selected balance sheet information for the Group's reportable segments for the year ended 30 June 2017.

The previously reported equipment segment was discontinued in its entirety during the year ended 30 June 2017 and has therefore been removed as a reportable segment. Refer to note 7 for the results, assets, and liabilities of the discontinued Equipment segment.

	Construction \$000	Trading \$000	Mining \$000	Unallocated \$000	Total \$000
Revenue					
External revenue	1,266	8	-	156	1,430
Total segment revenue	1,266	8	-	156	1,430
Results					
Segment results before tax	(217)	(81)	(324)	(3,268)	(3,890)
Finance costs	2	-	-	472	474
Depreciation & amortisation	-	-	-	176	176
Impairment	-	-	-	412	412
Reconciliation of segment results before tax to net loss after tax					
Segment results before tax					(3,890)
Net loss after tax from continuing operations per the statement of comprehensive income					(3,890)
Total assets	492	-	10,783	5,172	16,447
Total liabilities	1,630	1	4,875	10,126	16,632
Other disclosures					
Exploration and evaluation asset additions	-	-	2,508	-	2,508
Property plant and equipment additions	-	-	-	1	1

Major Customers

VDM Group has a number of customers to which it provides goods and services. During 2017, VDM had one customer that contributed greater than 10% of revenue. This customer contributed a total of 87% of VDM revenue which was from the Construction segment (2016: two customers contributed greater than 10% of revenue. These two customers contributed a combined total of 53% of VDM revenue, with individual contributions of 42% and 11% from two trading segment customers).

VDM GROUP LIMITED
PRELIMINARY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

The following table presents the revenue, profit, and selected expenditure information for the year ended 30 June 2016 and selected balance sheet information as at 30 June 2016 for the Group's reportable segments.

	Construction \$000	Trading \$000	Mining \$000	Unallocated \$000	Total \$000
Revenue					
External revenue	53	402	4	70	529
Total segment revenue	53	402	4	70	529
Results					
Segment results before tax	(521)	(196)	(133)	(3,666)	(4,516)
Finance Costs	-	-	-	83	83
Depreciation & amortisation	5	-	-	185	190
Reconciliation of segment results before tax to net loss after tax					
Segment results before tax					(4,516)
Net loss after tax from continuing operations per the statement of comprehensive income					(4,516)
Total assets	77	503	8,284	7,213	16,077
Total liabilities	2,516	22	5,025	5,468	13,031
Other disclosures					
Exploration and evaluation asset additions	-	-	8,275	-	8,275
Property plant and equipment additions	-	-	-	13	13

VDM GROUP LIMITED
PRELIMINARY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

	2017	2016
	\$000	\$000
2. REVENUE		
Sales revenue		
Revenue from operating activities	1,274	415
Total sales revenue	1,274	415
Other revenue		
Interest	20	91
Net rental income	10	21
Other	126	2
Total other revenue	156	114
Total revenue	1,430	529
3. EXPENSES		
a) Employee benefits expense		
Wages and salaries	1,785	2,466
Restructuring/redundancy costs	32	223
Superannuation expense	129	202
Other employee benefits expense	24	22
Total employee benefits expense	1,970	2,913
b) Depreciation and amortisation		
Depreciation	176	181
Amortisation of development costs and software	-	9
Total depreciation and amortisation	176	190
c) Impairment charges		
Impairment of development properties (note 15)	412	-
Total impairment charges	412	-
d) Finance costs		
Bank fees and other finance charges	22	8
Interest	452	75
Total finance costs	474	83
e) Other expenses		
Insurances	223	245
Telecommunications	34	38
Computer costs	67	157
Other	23	88
Total other expenses	347	528

VDM GROUP LIMITED
PRELIMINARY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

4. DISCONTINUED OPERATIONS

On 28 July 2016, VDM announced the closure of its Equipment division. A strategic review of the equipment hire and sales business concluded it needed to be significantly scaled up in size in order to reach a sustainable positive cash flow. Foreseeable overcapacity in most areas of the Australian equipment market meant that expansion of the division would be a high risk investment and the prudent decision for VDM shareholders was to close the equipment business.

The discontinued Equipment division constituted the entire equipment segment as reported in the Annual Report for the year ended 30 June 2016. As at 30 June 2017 all of the segment's assets were sold and liabilities settled.

	2017	2016
	\$000	\$000
<i>Financial performance of discontinued operations</i>		
Revenue	21	196
Expenses	(209)	(1,132)
Operating loss	(188)	(936)
Finance costs	-	(1)
Profit on sale of assets	1,256	264
Share of loss from joint venture (note 13)	(409)	(235)
Profit/(Loss) from discontinued operations before income tax	659	(908)
Income tax expense	-	-
Profit/(Loss) from discontinued operations after income tax	659	(908)
<i>Assets and liabilities of the discontinued operations</i>		
Total Assets	-	1,397
Total Liabilities	-	77
Net assets attributable to discontinued operations	-	1,320
<i>Net cash flows attributable to discontinued operations</i>		
Operating	168	(187)
Investing	1,869	199
Financing	-	(65)
Net cash (outflow) / inflow	2,037	(53)

VDM GROUP LIMITED
PRELIMINARY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

	2017	2016
	\$000	\$000
5. INCOME TAX		
a) The components of tax expense comprise:		
<i>Current income tax:</i>		
Income tax benefit on adjustments in respect of current income tax of previous years	-	-
<i>Deferred income tax:</i>		
Relating to origination & reversal of temporary differences	-	-
Prior year tax losses no longer recognised	-	-
Adjustments in respect of deferred income tax of previous years	-	-
Income tax benefit reported in the statement of comprehensive income	-	-
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	(3,231)	(5,424)
Total accounting loss before income tax	(3,231)	(5,424)
Prima facie income tax benefit @ 27.5% (2016: @ 30.0%)	(889)	(1,627)
Tax adjustment for non-deductible expenses	202	5
Temporary differences and unrecognised tax losses	687	1,622
Aggregate income tax benefit	-	-

Current period income tax amounts were calculated based on a reduced corporate income tax rate of 27.5% (2016: 30%).

VDM GROUP LIMITED
PRELIMINARY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

c) Recognised deferred tax asset and liabilities	Statement of financial position		Statement of comprehensive income	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
Deferred tax liabilities				
Contracts in progress and inventory	-	-	-	-
Other	(21)	-	21	-
Gross deferred tax liabilities	(21)	-	21	-
Deferred tax assets				
Provision for employee entitlements	41	61	21	35
Provisions – other	505	718	215	25
Trade and other receivable	351	484	133	(8)
Trade and other payables	135	143	7	184
Contributed equity	158	304	129	290
Deferred tax assets not recognised	(1,169)	(1,710)	(526)	(526)
Gross deferred tax assets	21	-	(21)	-
Deferred tax expense			-	-
Net deferred tax asset recognised in the balance sheet	-	-		

d) Tax losses

VDM Group has recognised a deferred tax asset of \$nil (2016: \$nil) for Australian income tax purposes on the basis that it is not 'probable' that the carried forward revenue loss will be utilised against future assessable taxable profits.

VDM has estimated tax losses of \$125,467,000 (2016: \$121,334,000). 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 2015 financial year, therefore in order to be able to utilise the pre-2016 losses in the future, VDM may 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 2017, there were 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 (2016: nil).

f) Tax consolidation

Members of the tax consolidation group and the tax sharing arrangement

VDM Group Limited and its 100% owned Australian resident subsidiaries formed a tax consolidated group with effect from 1 July 2004. VDM Group Limited is the head entity of the tax-consolidated group. Members of Group 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.

VDM GROUP LIMITED
PRELIMINARY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

	2017	2016
	\$000	\$000
6. LOSS PER SHARE		
a) Loss used in calculating loss per share		
Net loss from continuing operations attributable to ordinary equity holders of the parent	(3,890)	(4,516)
Net loss attributable to ordinary equity holders of the parent for basic earnings	(3,890)	(4,516)
b) Weighted average number of shares	No.	No.
Weighted average number of ordinary shares for basic and diluted earnings per share	5,477,660,952	5,068,071,911
7. DIVIDENDS PROPOSED AND PAID		
a) Declared and paid during the year		
<i>Dividends on ordinary shares:</i>		
Final dividend for 2017: nil cents per share (2016: nil cents per share)	-	-
Interim dividend for 2017: nil cents per share (2016: nil cents per share)	-	-
Dividends paid during the year	-	-
b) Dividend proposed, not recognised as a liability		
Final dividend for 2017: nil cents per share (2016: nil cents per share)	-	-
c) Franking credits:		
<i>Franking credits available for the subsequent financial year:</i>		
Franking account balance as at the end of the financial year at 30% (2016: 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

VDM GROUP LIMITED
PRELIMINARY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

	2017	2016
	\$000	\$000
8. CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	1,366	2,045
Cash and cash equivalents	1,366	2,045
<i>Reconciliation to cash flow statement</i>		
For the purposes of the cash flow statement, cash and cash equivalents comprise the following at 30 June:		
Cash at bank and in hand	1,366	2,045
Cash for reconciliation of cash flow statement	1,366	2,045

Cash at bank earns interest at floating rates or term deposit rates.

9. SECURITY DEPOSITS		
Security Deposits	1,017	1,076
Current	198	204
Non-current	819	872
Total security deposits	1,017	1,076

Security deposits are comprised of cash pledged as collateral for bank guarantees issued by the Group. The security deposits are not available for immediate use.

VDM GROUP LIMITED
PRELIMINARY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

	2017	2016
	\$000	\$000
10. TRADE AND OTHER RECEIVABLES		
Trade receivables	1,395	1,783
Other debtors	345	26
Retentions	76	-
Impairment of trade and other receivables	(1,278)	(1,615)
Total trade and other receivables	538	194
a) Ageing of trade receivables		
0 - 30 days	86	47
31 - 60 days	-	29
> 60 days PDNI*	31	92
> 60 days IM**	1,278	1,615
Total trade receivables	1,395	1,783
b) Allowance for impairment loss		
Balance at 1 July 2016	1,615	1,587
Charge for the year	(10)	44
Utilised	(327)	(16)
Balance at 30 June 2017	1,278	1,615

* PDNI – past due not impaired

** IM - impaired

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.

c) Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair values.

The maximum exposure to credit risk is the fair value of receivables.

VDM GROUP LIMITED
PRELIMINARY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

	2017	2016
	\$000	\$000
11. INVENTORY		
Consumables at cost	165	69
Total inventory	165	69
12. OTHER CURRENT ASSETS		
Prepayments	-	1
Other current assets	-	1
13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD		
Current assets	285	1,747
Non-current assets	-	38
Current liabilities	285	392
Equity	-	1,393
Group's carrying amount of the investment	-	682
a) Reconciliation of carrying amounts		
Balance at 1 July	682	917
Capital returned	(273)	-
Share of equity accounted loss for the year	(409)	(235)
Balance at 30 June	-	682
b) Share of equity accounted loss		
Revenue	37	1,167
Cost of sales	(23)	(878)
Administrative expenses	(854)	(772)
Finance costs	6	3
Loss before tax	(834)	(480)
Income tax expense	-	-
Loss for the year	(834)	(480)
Total comprehensive loss for the year	(834)	(480)
Group's share of loss for the year (note 4)	(409)	(235)

At 30 June 2017, VDM holds a nil interest in Sany VDM Pty Ltd an Australian company previously jointly-owned by VDM and Sany (2016: 49% interest). During the period \$273,000 of capital in Sany VDM Pty Ltd was returned to the Group (2016: nil returned).

VDM GROUP LIMITED
PRELIMINARY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

	2017	2016
	\$000	\$000
14. EXPLORATION AND EVALUATION ASSETS		
Balance as at 1 July	8,275	-
Additions	2,508	8,275
Balance as at 30 June	10,783	8,275

Additions in the period include \$2,265,000 of advances under an exploration services contract (30 June 2016: nil) and \$168,000 under a technical services contract (30 June 2016: nil).

Ultimate recoupment of the exploration and evaluation assets is dependent on the successful development and commercial exploitation or sale of the respective mining areas.

15. DEVELOPMENT PROPERTIES

Development properties	1,600	2,012
Total development properties	1,600	2,012
Reconciliation of carrying amounts		
Balance at 1 July	2,012	2,012
Additions	-	-
Disposals	-	-
Impairment of development properties	(412)	-
Balance at 30 June	1,600	2,012

Impairment Assessment

Management performed a net realisable value assessment which resulted in recognition of a \$412,000 impairment to development properties (2016: nil).

VDM GROUP LIMITED
PRELIMINARY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

	2017	2016
	\$000	\$000
16. PROPERTY, PLANT AND EQUIPMENT		
Leasehold improvements at cost	660	673
Accumulated depreciation	(568)	(408)
Total leasehold improvements	92	265
Freehold land and buildings at cost	887	887
Accumulated depreciation	(25)	(16)
Total freehold land and buildings	862	871
Plant & equipment at cost	983	6,366
Accumulated depreciation	(959)	(5,779)
Total plant & equipment	24	587
Total property, plant and equipment	978	1,723

Impairment of plant and equipment

An impairment charge of \$ nil was recognised for plant and equipment in the current period (2016: \$5,000).

VDM GROUP LIMITED
PRELIMINARY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

	2017	2016
	\$000	\$000
16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)		
Reconciliation of carrying amounts		
<i>Leasehold Improvements</i>		
Balance at 1 July net of accumulated depreciation	265	417
Additions	1	14
Disposals	(9)	-
Depreciation	(165)	(166)
Balance at 30 June	92	265
<i>Freehold land and buildings</i>		
Balance at 1 July net of accumulated depreciation	870	879
Depreciation	(8)	(8)
Balance at 30 June	862	871
<i>Plant and equipment under lease</i>		
Balance at 1 July net of accumulated depreciation	-	160
Disposals	-	-
Depreciation	-	(28)
Transfer to plant and equipment	-	(132)
Balance at 30 June	-	-
<i>Plant and equipment</i>		
Balance at 1 July net of accumulated depreciation	587	745
Additions	-	13
Disposals	(547)	(88)
Impairment	-	(5)
Depreciation	(16)	(210)
Transfer from plant and equipment under lease	-	132
Balance at 30 June	24	587
Total property, plant and equipment	978	1,723

VDM GROUP LIMITED
PRELIMINARY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

	2017	2016
	\$000	\$000
17. INTANGIBLE ASSETS		
Software	3,025	3,025
Accumulated amortisation and impairment	(3,025)	(3,025)
Total intangible assets	-	-
Reconciliation of carrying amounts		
<i>Intangible assets</i>		
Balance at 1 July	-	9
Amortisation	-	(9)
Balance at 30 June	-	-
18. TRADE AND OTHER PAYABLES		
Trade payables and accruals	732	747
Employee related payables	20	38
GST payable	18	37
Other payables	4,695	5,025
Total trade and other payables	5,465	5,847

Other payables includes \$4,695,000 of purchase consideration due to a Cachoeiras do Binga joint venture partner (30 June 2016: \$4,875,000).

a) Fair values

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

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	2017	2016
	\$000	\$000
19. INTEREST BEARING LOANS AND OTHER BORROWINGS		
Shareholder loan (AUD denominated)	4,826	3,061
Shareholder loan (USD denominated)	4,272	1,360
Total interest bearing loans and other borrowings	9,098	4,421

a) Fair values

The carrying amount of VDM's current and non-current borrowings approximates their fair values.

b) Assets pledged as security

<i>Finance arrangements:</i>		
Plant and equipment under lease	-	-
<i>Floating charge:</i>		
All the remaining wholly owned assets	-	-

c) Financing facilities

Credit cards	40	40
Bank guarantees	977	1,036
Balance at 30 June 2017	1,017	1,076

The bank guarantee facility limit is equal the amount of bank guarantees issued and outstanding in favour of VDM. The credit card facility is available subject to annual review.

e) Shareholder loans

During the period VDM's largest shareholder, Australia Kengkong Investments Co Pty Ltd ("Kengkong"), advanced AUD \$1,500,000 and USD \$2,134,000 to VDM under the terms of a Framework Loan Agreement ("FLA") (2016: AUD \$3,000,000 and USD \$1,000,000). The FLA contemplates the parties entering into a secured one-year 6% per annum loan facility that will incorporate the FLA liabilities. Until that occurs, the FLA advances, plus accrued interest of 6% per annum are immediately repayable in the denominated currency when demanded by Kengkong. An interest rate of 20% per annum applies if VDM defaults on the loan.

The 30 June 2017 shareholder loan balances include \$452,000 of interest accrued in the year (2016: \$75,000 of accrued interest) and \$71,000 of unrealised foreign exchange gains recorded in the year (2016: \$40,000 of unrealised foreign exchange losses).

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FOR THE YEAR ENDED 30 JUNE 2017

	2017	2016
	\$000	\$000
20. PROVISIONS		
Current		
Employee entitlements	125	181
Construction warranties	605	567
Onerous contracts	885	850
Other construction contract obligations	222	297
Other provisions	184	178
Total current provisions	2,021	2,073
Non-Current		
Employee entitlements	24	24
Onerous contracts	-	576
Other provisions	24	90
Total non-current provisions	48	690
Total provisions	2,069	2,763

a) Movement in provisions

	Balance 1 Jul 2016 \$000	Arising during the year \$000	Utilised during the year \$000	Unused amounts reversed \$000	Balance 30 Jun 2017 \$000
Employee entitlements	205	114	(170)	-	149
Construction warranties	567	122	(61)	(23)	605
Onerous contracts	1,426	487	(902)	(126)	885
Other construction contract obligations	297	47	(37)	(85)	222
Other provisions	268	-	(60)	-	208
Total provisions	2,763	770	(1,230)	(234)	2,069

b) Nature and timing of provisions

Construction warranties are estimated costs for warranty claims on completed construction projects based on past experience. It is estimated that these costs will be incurred in the next financial year.

Onerous contracts are estimated net unavoidable costs of meeting obligations under onerous contracts.

Other construction contract obligations are estimated costs, other than warranty claims, related to construction contracts.

Other provisions is mainly comprised of a lease incentive liabilities and remaining deductibles under insurance claims. The insurance deductible portion is estimated to be incurred in the next financial year. The lease incentive is amortised over the remaining term of the lease and this provision has been apportioned between current and non-current according to the amortisation schedule.

Provisions estimated to be settled after the end of the next financial year are classified as non-current. Provisions estimated to be settled in the next financial year are classified as current.

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PRELIMINARY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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	2017	2016
	\$000	\$000
21. CONTRIBUTED EQUITY		
a) Ordinary shares		
Issued and fully paid	288,722	288,722
	Number of Shares	\$000
Balance at 1 July	5,477,660,952	288,722
Balance at 30 June	5,477,660,952	288,722

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.

22. ACCUMULATED LOSSES AND RESERVES

a) Movement in accumulated losses		
Balance at 1 July	(286,133)	(280,709)
Net loss attributable to members of VDM Group Limited	(3,231)	(5,424)
Balance at 30 June	(289,364)	(286,133)
b) Movement in equity reserve		
Balance at 1 July	457	457
Balance at 30 June	457	457

Equity reserve

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 did not result in a loss of control. The reserve is attributable to the equity of the parent.

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PRELIMINARY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

	2017	2016
	\$000	\$000
23. CASHFLOW STATEMENT INFORMATION		
Reconciliation of net profit after tax to the net cash flows from operations		
Net loss after tax	(3,231)	(5,424)
<i>Non-cash items:</i>		
Depreciation and amortisation	189	421
Impairment of assets	412	5
Profit on disposal of property, plant and equipment	(1,256)	(264)
Share of equity accounted loss	409	235
<i>Change in operating assets and liabilities:</i>		
(Increase)/decrease in trade and other receivables	(324)	170
(Increase)/decrease in inventory	(109)	18
Increase/(decrease) in trade and other creditors	90	(1,430)
Decrease in provisions	(560)	(157)
Net cash flows used in operating activities	(4,380)	(6,426)

24. 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.