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VDM GROUP LIMITED

and its controlled entities

ABN 95 109 829 334

APPENDIX 4E

PRELIMINARY FINAL REPORT

For the year ended 30 June 2009

VDM GROUP LIMITED
APPENDIX 4E – PRELIMINARY FINAL REPORT
CONTENTS
As at 30 June 2009

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Appendix 4E

Preliminary final report
Period ending on 30 June 2009
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 2009
Previous year ended – 30 June 2008

Results for announcement to the market		**%**		**$000**
Revenue from ordinary activities	Up	8.6%	To	442,471
Loss from ordinary activities after tax attributable to members	Down	*	To	(105,971)
Net loss for the period attributable to members	Down	*	To	(105,971)

* - not calculated as moved from positive to negative

Dividends	Amount per Security	Franked Amount per Security
Financial year ended 30 June 2009		
Final dividend	-	-
Interim dividend	-	-
Financial year ended 30 June 2008		
Final dividend paid 28 November 2008	**5 cents**	5 cents
Interim dividend paid 30 May 2008	**5 cents**	5 cents

Dividend payments

VDM Group does not propose to pay a final dividend for the year ended 30 June 2009.

Results commentary for announcement to the market

Please refer to the separate ASX release on 31 August 2009 for further commentary.

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Net tangible assets

	Current year	Previous year
Net tangible assets per ordinary security (cents per share)	25.1	51.4

Earnings/(loss) per share

	Current year	Previous year
Basic earnings/(loss) per share (cents per share)	(86.0)	22.6
Diluted earnings/(loss) per share (cents per share)	(86.0)	22.5

Controlled entities acquired

VDM Group Limited gained control over BCA Consultants Pty Ltd as trustee for The EB Trust trading as BCA Consultants (BCA) on 4 July 2008 – refer to note 11 Business Combination for further information.

Controlled entities disposed of

No control over any entities was lost during the year ended 30 June 2009.

Audit

This preliminary financial report is based on financial statements that are in the process of being audited.

VDM GROUP LIMITED
PRELIMINARY CONSOLIDATED INCOME STATEMENT
For the year ended 30 June 2009

	Note	**Consolidated 2009 $'000**	Consolidated 2008 $'000
Continuing operations			
Rendering of services		**440,912**	405,124
Other revenue	2	**1,559**	2,131
Revenues		**442,471**	407,255
Cost of sales		**(386,570)**	(328,822)
Gross profit		**55,901**	78,433
Other income	3	**434**	10,250
Marketing expenses		**(866)**	(887)
Occupancy expenses		**(4,511)**	(4,155)
Administrative expenses		**(47,064)**	(40,920)
Finance costs	4	**(7,636)**	(3,475)
Other expenses	4	**(13,753)**	(209)
Depreciation and amortisation	4	**(2,125)**	(750)
Impairment charges	4	**(88,859)**	-
Allowance for trade receivable impairment loss	4	**(7,097)**	(610)
Share of profits from associates		**155**	67
Profit/(loss) before income tax		**(115,421)**	37,744
Income tax benefit / (expense)		**9,841**	(11,327)
Net profit/(loss) for the period		**(105,580)**	26,417
Attributable to:			
Minority interest		**391**	899
Members of the parent		**(105,971)**	25,518
Basic earnings/(loss) per ordinary share (cents per share)	5	**(86.01)**	22.59
Diluted earnings/(loss) per ordinary share (cents per share)	5	**(86.01)**	22.47
Dividend per ordinary share (cents per share)	6	**-**	10

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VDM GROUP LIMITED
PRELIMINARY CONSOLIDATED BALANCE SHEET
As at 30 June 2009

	Note	**Consolidated 2009 $'000**	Consolidated 2008 $'000
ASSETS			
Current assets			
Cash and cash equivalents		**18,254**	21,275
Trade and other receivables		**44,013**	76,040
Contracts in progress		**24,153**	39,936
Inventories		**5,050**	4,043
Properties and other non-current asset held for sale	7	**28,275**	6,719
Other assets		**3,695**	2,979
Total current assets		**123,440**	150,992
Non-current assets			
Trade and other receivables		**200**	273
Investments in associates		**530**	691
Property, plant and equipment		**71,149**	78,180
Deferred tax assets		**7,975**	5,385
Intangible assets and goodwill		**69,604**	147,206
Total non-current assets		**149,458**	231,735
TOTAL ASSETS		**272,898**	382,727
LIABILITIES			
Current liabilities			
Trade and other payables		**60,093**	59,932
Current tax liability		**519**	7,298
Interest-bearing loans and borrowings		**68,821**	31,933
Provisions		**7,922**	7,601
Total current liabilities		**137,355**	106,764
Non-current liabilities			
Interest-bearing loans and borrowings		**22,372**	50,108
Deferred tax liabilities		**7,757**	11,682
Provisions		**1,129**	1,414
Total non-current liabilities		**31,258**	63,204
TOTAL LIABILITIES		**168,613**	169,968
NET ASSETS		**104,285**	212,759
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	8	**185,144**	182,141
Reserves	9	**210**	64
Retained earnings	9	**(84,603)**	27,419
Parent interests		**100,751**	209,624
Minority interests		**3,534**	3,135
TOTAL EQUITY		**104,285**	212,759

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VDM GROUP LIMITED
PRELIMINARY CONSOLIDATED CASH FLOW STATEMENT
For the year ended 30 June 2009

	Note	**Consolidated 2009 $'000**	Consolidated 2008 $'000
Cash flows from operating activities			
Receipts from customers		**474,686**	437,887
Payments to suppliers and employees		**(438,137)**	(401,462)
Interest received		**795**	1,391
Borrowing costs		**(7,636)**	(3,475)
GST paid		**(13,189)**	(16,121)
Income tax paid		**(4,459)**	(4,558)
Net cash flows from operating activities	10	**12,060**	13,662
Cash flows from investing activities			
Purchase of property, plant and equipment		**(4,338)**	(16,912)
Proceeds from sale of property, plant and equipment		**4,846**	1,160
Purchase of intangibles		**(2,800)**	(3,621)
Loans to related entities		**-**	(549)
Acquisition of subsidiary, net of cash acquired	11	**(2,859)**	(40,910)
Net cash flows used in investing activities		**(5,151)**	(60,832)
Cash flows from financing activities			
Proceeds from issue of shares		**-**	5,634
Proceeds from borrowings		**29,487**	50,386
Repayment of borrowings		**(30,365)**	(28,374)
Dividend paid to ordinary shareholders		**(5,167)**	(7,086)
Net cash flows from financing activities		**(6,045)**	20,560
Net increase / (decrease) in cash and cash equivalents		**864**	(26,610)
Cash and cash equivalents at beginning of period		**16,550**	43,160
Cash and cash equivalents at end of period		**17,414**	16,550
Reconciliation:			
Cash and cash equivalents		**18,254**	21,275
Bank overdraft		**(840)**	(4,725)
Cash and cash equivalents at end of period		**17,414**	16,550

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VDM GROUP LIMITED
PRELIMINARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2009

	Note	Issued Capital $'000	Retained Earnings $'000	Option Reserve $'000	Total Equity $'000	Minority Interest $'000	Total $'000
Balance at 1 July 2007		**113,368**	**11,107**	**-**	**124,475**	**2,469**	**126,944**
Profit for the period		-	25,518	-	25,518	899	26,417
Issue of shares		68,695	-	-	68,695	-	68,695
Minority Interest		-	-	-	-	(233)	(233)
Equity dividends paid		-	(9,206)	-	(9,206)	-	(9,206)
Share buy-back		(240)	-	-	(240)	-	(240)
Share based payments		318	-	64	382	-	382
Balance at 30 June 2008		**182,141**	**27,419**	**64**	**209,624**	**3,135**	**212,759**
Balance at 1 July 2008		**182,141**	**27,419**	**64**	**209,624**	**3,135**	**212,759**
Profit / (loss) for the period		-	(105,971)	-	(105,971)	391	(105,580)
Issue of shares	8	2,744	-	-	2,744	-	2,744
Equity dividends paid		-	(6,051)	-	(6,051)	-	(6,051)
Share based payments	8	259	-	146	405	8	413
Balance at 30 June 2009		**185,144**	**(84,603)**	**210**	**100,751**	**3,534**	**104,285**

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1. SEGMENT REPORTING

Business Segments

	Consulting	Construction	Resources and Infrastructure	Unallocated/ Eliminations	Total
	$'000	$'000	$'000	$'000	$'000
Year ended 30 June 2009					
Segment revenue					
External sales	52,784	271,553	116,575	-	440,912
Other external revenue	140	1,063	149	207	1,559
Inter-segment revenue	278	622	145	(1,045)	-
Total revenue	53,202	273,238	116,869	(838)	442,471
Segment results					
Operating segment result	(3,163)	6,163	19,935	(12,406)	10,529
Depreciation and amortisation	(1,524)	(2,709)	(11,395)	(1,024)	(16,652)
Impairment of goodwill, assets and development costs and software	-	(44,565)	(43,782)	(512)	(88,859)
Other non cash items	(52)	(1,254)	(192)	(12,255)	(13,753)
Segment results	(4,739)	(42,365)	(35,434)	(26,197)	(108,735)
Net interest and finance charges					(6,841)
Share of associates profits					155
Net loss before tax					(115,421)
Tax					9,841
Net loss after tax					(105,580)
Segment assets					
Segment assets	47,884	82,365	116,617	26,032	272,898
Total assets	47,884	82,365	116,617	26,032	272,898
Segment liabilities					
Segment liabilities	13,752	22,355	60,224	72,282	168,613
Total liabilities	13,752	22,355	60,224	72,282	168,613

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	Consulting	Construction	Resources and Infrastructure	Unallocated/ Eliminations	Total
	$'000	$'000	$'000	$'000	$'000
Year ended 30 June 2008					
Segment revenue					
External sales	52,508	226,445	126,171	-	405,124
Other external revenue	290	952	103	786	2,131
Inter-segment revenue	1,718	1,519	227	(3,464)	-
Total revenue	54,516	228,916	126,501	(2,678)	407,255
Segment results					
Operating segment result	9,826	5,321	29,253	6,237	50,637
Depreciation and amortisation	(1,091)	(2,073)	(7,242)	(261)	(10,667)
Other non cash items	(131)	25	(103)	-	(209)
Segment results	8,604	3,273	21,908	5,976	39,761
Net interest and finance charges					(2,084)
Share of associates profits					67
Net profit before tax					37,744
Tax					(11,327)
Net profit after tax					26,417
Segment assets					
Segment assets	60,665	139,127	157,363	24,881	382,036
Investment in associates	-	691	-	-	691
Total assets	60,665	139,818	157,363	24,881	382,727
Segment liabilities					
Segment liabilities	16,555	50,865	60,768	41,780	169,968
Total liabilities	16,555	50,865	60,768	41,780	169,968

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VDM GROUP LIMITED
NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENT
For the year ended 30 June 2009

	Note	**Consolidated 2009 $'000**	Consolidated 2008 $'000
2. OTHER REVENUE			
Interest		**795**	1,391
Management fees		**-**	601
Other		**764**	139
Total other revenue		**1,559**	2,131
3. OTHER INCOME			
Net gain on disposal of property, plant and equipment		**143**	165
Net gain on sale of shares in controlled entity		**-**	10,085
Net gain on foreign exchange		**291**	-
Total other income		**434**	10,250
4. EXPENSES			
Other expenses			
Net loss on disposal of property, plant and equipment		**435**	61
Net loss on foreign exchange		**-**	148
Reversal of gain on sale of shares in controlled entity		**10,085**	-
Settlement of investment and property transactions		**2,000**	-
Loss on onerous contracts		**370**	-
Write off of fixed assets		**623**	-
Write off of investments		**240**	-
Total other expenses		**13,753**	209
Finance costs			
Hire purchase charges		**4,345**	2,228
Interest expense		**3,271**	1,208
Other finance costs		**20**	39
Total finance costs		**7,636**	3,475
Depreciation and amortisation			
Depreciation		**15,605**	10,235
Amortisation of development costs and software		**1,047**	432
Total depreciation and amortisation		**16,652**	10,667
Depreciation and amortisation included in cost of sales		**14,527**	9,917

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	Note	**Consolidated 2009 $'000**	Consolidated 2008 $'000
Impairment charges			
Impairment of goodwill		**81,906**	-
Impairment of assets		**4,820**	-
Impairment of development costs and software		**2,133**	-
Total impairment charges		**88,859**	-
Employee benefit expense			
Wages and salaries		**111,384**	85,999
Restructuring / redundancy costs		**2,154**	-
Defined contribution superannuation expense		**9,598**	8,595
Share-based payment expense		**413**	382
Other employee benefits expense		**6,154**	5,737
Total employee benefit expense		**129,703**	100,713
Included in cost of sales		**101,309**	83,102
Allowance for trade receivable impairment loss included in administration costs		**7,097**	610
Settlements and costs included in administration expenses		**1,648**	-

5. EARNINGS/(LOSS) PER SHARE

Earnings/(losses) used in calculating earnings/(loss) per share			
For basic earnings/(loss) per share:			
Net (loss) / profit from continuing operations attributable to ordinary equity holders		**(105,971)**	25,518
For diluted earnings/(loss) per share:			
Net (loss) / profit attributable to ordinary equity holders of the parent		**(105,971)**	25,518
Weighted average number of shares			
Weighted average number of ordinary shares for basic earnings per share		**123,210,256**	112,985,566
Effect of dilution:			
Share options		**-**	584,017
Weighted average number of ordinary shares adjusted for the effect of dilution		**123,210,256**	113,569,583

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	Note	**Consolidated 2009 $'000**	Consolidated 2008 $'000
6. DIVIDENDS PROPOSED AND PAID			
Dividends declared and paid during the year on ordinary shares:			
Final fully franked dividend for 2008: 5 cents per share (2007: 4 cents per share)		**6,051**	3,670
Interim fully franked dividend for 2009: nil cents per share (2008: 5 cents per share)		**-**	5,536
Total dividend proposed and paid		**6,051**	9,206
Dividends proposed and not yet recognised as a liability:			
Final fully franked dividend for 2009: nil cents per share (2008: 5 cents per share)		**-**	6,051
7. PROPERTIES AND OTHER NON CURRENT ASSETS HELD FOR SALE			
Development properties		**24,810**	6,719
Plant and equipment		**3,465**	-
Total properties and other non-current asset held for sale		**28,275**	6,719

Included in the above plant and equipment are surplus business assets of Civmec Construction and Engineering Pty Ltd (Civmec) out of which $2.3 million were sold subsequent to year-end and the remainder is expected to be sold within the next 12 months. These assets were previously classified under property, plant and equipment in the prior year. Refer to note 13 for further information.

8. CONTRIBUTED EQUITY

Ordinary shares		
Issued and fully paid	**185,144**	182,141

Movement on ordinary shares on issue	**Date**	**Shares**	**Price ($)**	**Value ($'000)**
Balance at 30 June 2008		**121,021,680**		**182,141**
- BCA Acquisition	4 July 2008	1,041,400	1.42	1,479
- BCA Acquisition	2 December 2008	195,020	1.42	277
- BCA Acquisition	29 January 2009	76,480	1.42	109
- Dividend reinvestment plan	30 November 2008	1,692,190	0.52	879
- Share based payment during the year		-	-	259
Balance at 30 June 2009		**124,026,770**		**185,144**

	Note	**Consolidated 2009 $'000**	Consolidated 2008 $'000
9. RETAINED EARNINGS AND RESERVES			
Movement in retained earnings			
Balance at the beginning of the year		**27,419**	11,107
Net profit attributable to members of VDM Group Ltd		**(105,971)**	25,518
Total available for appropriation		**(78,552)**	36,625
Dividends provided for or paid		**(6,051)**	(9,206)
Balance at the end of the year		**(84,603)**	27,419
Movement in option reserve			
Balance at the beginning of the year		**64**	-
Share based payment		**146**	64
Balance at the end of the year		**210**	64

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	Note	**Consolidated 2009 $'000**	Consolidated 2008 $'000
10. CASH FLOW STATEMENT RECONCILATION			
Reconciliation of net (loss) / profit after tax to net cash flows from operations			
Net (loss) / profit after tax		**(105,580)**	26,417
Adjustment for:			
Depreciation		**15,605**	10,235
Amortisation		**1,047**	432
Impairment of goodwill, assets and development costs and software		**88,859**	-
Bad debts		**7,097**	610
Reversal of gain on sale of shares in controlled entity		**10,085**	-
Settlement of investment and property transactions		**2,000**	-
Loss on onerous contract		**370**	-
Net (profit)/loss on disposal of property, plant and equipment		**292**	61
Write off of investment		**240**	-
Share of associates profits		**(155)**	(67)
Share based payments expense		**413**	143
Management fees		**-**	(601)
Write off of fixed assets		**623**	-
Net gain on foreign exchange		**(291)**	-
Change in assets and liabilities:			
Decrease in trade receivables and other debtors		**16,801**	1,444
Decrease / (increase) in contracts in progress		**15,596**	(22,048)
(Increase) in other assets		**(563)**	(1,141)
(Increase) in properties and other non-current assets held for sale		**(21,557)**	(4,026)
(Increase) in inventory		**(1,007)**	(1,145)
Decrease / (increase) in deferred tax assets		**(2,590)**	(1,631)
(Decrease) in trade and other creditors		**(5,646)**	(4,641)
(Decrease) / increase in provisions		**1,127**	1,220
(Decrease) / increase in current tax liability		**(6,780)**	4,492
(Decrease) / increase in deferred tax liability		**(3,926)**	3,908
Net cash flows from operating activities		**12,060**	13,662
Non-cash financing and investing activities			
Purchase of property, plant and equipment on hire purchase		**13,192**	5,237
Settlement of subsidiary purchase with shares		**1,865**	60,940
Settlement of receivable with land		**-**	1,146

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11. BUSINESS COMBINATIONS

On 4 July 2008 the Company acquired a 100% interest in BCA Consultants Pty Ltd as trustee for The EB Trust trading as BCA Consultants (BCA). The Company paid a total of $5,145,000 made up of a cash component of $3,281,000 (including acquisition costs) and 1,312,900 VDM Group Limited shares at a value of $1,864,000.

BCA is a multi-disciplined Building Services Consulting Engineering business with over 20 years experience in Electrical, Specialist Lighting, Mechanical, Fire, Transport and Environmentally Sustainable Development (ESD) Engineering disciplines. The business acquired enhances existing synergies within the Group and fits within the VDM Group's acquisition strategy.

The fair values of the identifiable assets and liabilities of BCA as at the date of acquisition are:

	$'000
Cash	422
Receivables – current	1,404
Other assets	59
Investments	1
Property, plant and equipment	237
Goodwill	178
Trade and other payables – current	(2,055)
Interest bearing loans and borrowings – current	(2)
Provisions – current	(252)
Provisions – non current	(28)
Net assets	(36)
Cash paid	3,260
Shares issued	1,864
Other expenses	21
Total consideration	5,145
Goodwill	5,181

From the date of acquisition, BCA has contributed $441,000 to the net profit after tax of the Group. This figure would not have varied materially for the financial period 1 July 2008 to 30 June 2009 had the acquisition date for BCA been 1 July 2008.

12. INVESTMENT IN ASSOCIATES

	Percentage holding	
Name	**2009**	2008
Structural Fabrication Pty Ltd	**40%**	40%
Anagan Pty Ltd (trading as Quickloc Building Systems)	**45%**	45%
Complete Steel Projects Pty Ltd	**50%**	50%
Track Procurement Services Pty Ltd	**50%**	50%

In aggregate the associates and joint ventures contributed $155,000 ($67,000) to net profit after tax.

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13. EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to year-end, VDM Group sold the surplus business assets of Civmec Construction and Engineering Pty Ltd (Civmec) as part of its restructuring and consolidation efforts. The proceeds of the sale, along with other assets sold separately, were used to retire $1.5 million interest bearing debt and provide working capital to the Group. The surplus assets sold for $2.3 million consisted of plant that was not required for the business moving forward, the Civmec name and the works to complete 2 minor contracts. The construction works previously undertaken by Civmec will now be undertaken by Wylie and Skene Pty Ltd. This sale has not been adjusted in the accounts to 30 June 2009, however the proceeds received subsequent to balance date equate to the assets' carrying value.

In the prior year VDM Group sold a wholly owned subsidiary and recognised a gain of $10.1 million. By a deed of settlement, VDM Group and a third party agreed to release each other from various property purchase agreements which included the planned Selby Street, Osborne Park, development. As a result, the gain of $10.1 million referred to above was reversed in the current year. VDM Group has agreed to compensate the third party with an amount of $2.0 million. This settlement has been recognised in the current year. VDM Group has since settled this by the issue of shares to the value of $1.7 million and the payment of $0.3 million in cash. The number of shares issued has been based on the average weighted market price over the last 10 trading days to Thursday, 6 August 2009 inclusive, the date upon which the terms of settlement were agreed to between the parties. 6,150,000 shares have been issued on 28 August 2009 at a price of 27.78 cents per share and this has been recognised as a current liability.

14. GOING CONCERN

The Group is in a net current liability position of $13.9 million as at 30 June 2009 as a result of the classification of certain bank loans totalling $47.8 million as current liabilities. The Group also incurred a loss after income tax of $105.6 million for the year ended 30 June 2009, but recorded positive operating cash flows from operations of $12.1 million.

The reclassification by VDM Group of bank loans as current liabilities arises from the anticipated breach of certain loan covenants with the bank at 30 June 2009 upon submission of the financial report for the year ended on that date.

The Group and its bank are in the process of restructuring these banking facilities and renegotiating the loan covenants. These negotiations are at an advanced stage and new covenants have been offered and are being finalised. The new facilities agreement is expected to be signed before the annual financial statements are issued.

15. AUDIT

This preliminary financial report is based on financial statements that are in the process of being audited.