



## ASX ANNOUNCEMENT

### VDM GROUP LTD COMPANY UPDATE

**Perth, 5 March 2013:** VDM Group Ltd (ASX: VMG; “VDM” or “the Company”) announced on Thursday 28th February 2013 its results for the first half of the 2013 financial year and provides this explanatory note of the result and the ongoing activities of the Company.

In the announcement, VDM reported an underlying loss of \$8.0 million, and a statutory Net Loss after Tax of \$60.1 million for the six months ended 31 December 2012. Included within the result are a number of non-operating charges, comprising the following:

- \$21.1 million de-recognition of deferred tax asset carrying values following an assessment of tax losses that are probable of being utilised over the next 5 years, as first indicated in our market update provided on 29 October 2013;
- \$18.5 million impairment charge against goodwill for the Western Operations and Eastern Operations segments, as first indicated in our market update provided on 29 October 2013; and
- \$3.2 million write-down on the carrying value of Como arising from the re-measurement to fair value less costs to sell following the agreement to sell Como to the existing Como management team (the write-down being solely comprised of goodwill).

In addition, VDM's operating result for H1 FY2013 was adversely impacted by the non-recognition of revenue on construction projects of approximately \$10 million during the period as reported in the Company's update of the 13th February.

The Company continues to pursue the unapproved claims and variations outlined in the 13th February update and any amounts successfully recovered shall be earnings and cashflow accretive for the Company in the period they are recovered.

#### BOARD & MANAGEMENT

Mr Andrew Broad  
MANAGING DIRECTOR

Mr Michael Delany Perrott AM  
NON-EXECUTIVE CHAIRMAN

Mr Barry Nazer  
NON-EXECUTIVE DIRECTOR

Mr Michael Fry  
NON-EXECUTIVE DIRECTOR

Mr Richard Mickle  
NON-EXECUTIVE DIRECTOR

Mr David Coyne  
CHIEF FINANCIAL OFFICER  
COMPANY SECRETARY

#### REGISTERED OFFICE

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#### CONTACT DETAILS

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#### WEBSITE

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#### SHARE REGISTRY

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Services Pty Limited  
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Melbourne, VIC 2975  
Tel: 1300 850 505

#### ASX CODE

VMG

## Underlying Earnings

Given the significant non-operating charges during the period, combined with a number of one-off provisions being made, the Company provides the following table so as to clarify to investors the underlying operating performance:

A\$'000	Profit before tax	Tax	After Tax Profit Attributable to VDM Group
<b>As Reported</b>	<b>(45,873)</b>	<b>(14,191)</b>	<b>(60,064)</b>
<b>Significant items:</b>			
Impairment of Goodwill	18,507	0	18,507
Unrecognised revenue from outstanding claims and variations	10,556	(3,167)	7,389
Losses recognised on contracts executed in prior years	2,353	(706)	1,647
Loss from Como recognised as a discontinued operation (1)	3,235	(19)	3,216
Provision for amounts from clients now in administration (2)	1,376	0	1,376
Legal fees incurred on disclosed legal proceedings	1,182	(355)	827
Unrecoverability of amounts owed from Joint Venture partners on historical land developments (3)	670	0	670
De-recognition of deferred tax asset carrying value	0	21,093	21,093
<b>Underlying Result for H1 FY2013</b>	<b>(7,994)</b>	<b>2,656</b>	<b>(5,338)</b>

1. Solely for the write-off of goodwill upon divestment of Como.
2. During the half, VDM was impacted by the appointment of administrators to clients that owed amounts to VDM for work undertaken in prior years. All amounts owed were fully provided for during the half.
3. Under the terms of land development joint venture agreements entered into by VDM in prior years, VDM agreed to carry the cost of certain development activities by way of joint venture loans, and guarantee certain borrowings made to fund the acquisition of land for subsequent development. Joint venture partners to these agreements remain liable to VDM for amounts loaned by VDM to the joint ventures, however, it is unlikely that VDM will be able to recover the value of its loans on one of the joint ventures. The amount of loan was fully provided for during the half.

## **Business Strategy Update**

The Company announced on 28 February 2013 its intention to divest its Como business to a buying group comprising the existing Como management team for an amount of \$5.45 million. Negotiations on a binding sale agreement are well progressed and the Company expects to enter into the binding sale agreement by mid-March 2013, with completion to occur before the end of April 2013.

The Company also remains committed to exiting from its property portfolio and on the 17 January 2013 accepted an offer of \$3.0 million for the sale of freehold land and building in Karratha. The positive impact of this sale will be reported in the half year to June 2013.

Azure Capital continues to be retained by the Company to assist the Board and management in assessing expressions of interest received and in further refining the business strategy for its Western Australian and Queensland operations as part of the objective to return the Company to profitability.

## **Outlook**

Commenting on the first half result and outlook, VDM Managing Director, Andrew Broad, said that the Company remained committed to delivering a turn-around on the Company's performance.

"The task of returning the business to profitability has proven to be far more complex and challenging than anticipated, and has been made no easier by the recent deterioration in VDM's core market sectors" Mr Broad said.

"Pleasingly, the focus on overhead cost reduction and working capital management initiatives were able to assist us in delivering a positive operating cashflow over the past 6 months, the first period of positive operating cashflows since December 2010.

Notably, since the beginning of the calendar year, tender activity has improved.

"As at the end of December 2012, our construction order book stood at over \$110 million with approximately \$85 million of work won during the period. In addition, approximately \$15 million of minor works and variations have been awarded to VDM so far this calendar year."

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## **About VDM Group**



VDM is an engineering and construction company that services the mining and resources, transport and civil infrastructure and urban development sectors. VDM's highly skilled engineers develop innovative technical solutions for clients and deliver projects that are cost effective, reliable and sustainable.