

Appendix 4D - Half Year Report
For the Period ending on 31 December 2007

VDM Group Limited

ABN 95 109 829 334

ASX Code: VMG

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

Current half year ended – 31 December 2007

Previous half year ended – 31 December 2006

Results for announcement to the market	%		A\$000	
Revenue from ordinary activities	Up	71.5	To	192,600
Profit after tax attributable to members	Up	120.2	To	11,245
Net profit attributable to members	Up	120.2	To	11,245

Dividends	Amount per Security	Franked Amount per Security
2008 interim dividend payable 30 May 2008	5 cents	5 cents
2007 final dividend paid 30 November 2007	4 cents	4 cents
2007 interim dividend paid 15 May 2007	4 cents	4 cents
2006 final dividend paid 15 November 2006	3 cents	3 cents
2006 interim dividend paid 15 May 2006	3 cents	3 cents

Dividends Payable	
Date the 2008 interim dividend is payable	30 May 2008
Record date for determining entitlements to the dividend	1 May 2008
Date interim dividend was declared	25 February 2008
The VDM Group Limited Dividend Reinvestment Plan will apply to the 2008 interim dividend declared.	

Net tangible assets	Current half year	Previous half year
Net tangible assets per ordinary security (cents per share)	50 cents	54 cents

Earnings per share	Current half year	Previous half year
Basic earnings per share (cents per share)	10.6	8.0
Diluted earnings per share (cents per share)	10.6	8.0

Control gained over entities having a material effect

VDM Group Limited gained control over the following entities during half year ended 31 December 2007

- Como Engineers Pty Ltd, ownership was transferred to VDM Group Limited on 6 July 2007
- VDM Earthmoving Pty Ltd (trading as Malavoca) was incorporated in Australia on 30 June 2007 and acquired the Malavoca business on 1 October 2007
- Bellerio Constructions Pty Ltd, ownership was transferred to VDM Group Limited on 1 November 2007
- Kayano Nominees Pty Ltd (trading as Rocktec Contracting), ownership was transferred to VDM Group Limited on 2 November 2007

Loss of control of entities having a material effect

No control over any entities was lost during the half year ended 31 December 2007.

Further Commentary

Please refer to the media release for further commentary.



VDM GROUP LIMITED

and its controlled entities

ABN 95 109 829 334

HALF YEAR FINANCIAL REPORT

HALF-YEAR ENDED 31 DECEMBER 2007

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This half year financial report does not include all the notes of the type normally included in the annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2007 and any public announcements made by VDM Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

CORPORATE DIRECTORY

DIRECTORS

Mr John Saleeba
Mr John Farrell
Mr Clive Bradshaw
Mr James van der Meer
Mr Anthony Parker
Mr Stuart Cuthbert
Mr Ross Kestel

COMPANY SECRETARY

Mr Peter Simpson

REGISTERED AND PRINCIPAL OFFICE

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Website : <http://www.vdmgroup.com.au>

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Level 5, 16 Milligan Street
Perth WA 6000

AUDITORS

Ernst & Young
11 Mounts Bay Road
Perth WA 6000

COUNTRY OF INCORPORATION AND DOMICILE

Australia

SHARE REGISTER

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross WA 6153
Telephone : (08) 9315 2333
Facsimile : (08) 9315 2233

VDM Group Ltd is listed on the Australian Stock Exchange. The ASX Code is VMG.

ACN : 109 829 334
ABN : 95 109 829 334

DIRECTORS' REPORT

Your directors submit their report for the half-year ended 31 December 2007 for VDM Group Limited (VDM or the Company) and its controlled entities (the Group).

DIRECTORS

The names and details of the Company's directors in office during the half-year and until the date of this report are as below. Directors were in office for the entire period unless otherwise stated.

Name	Period of Directorship
John Saleeba (Non Executive Chairman)	Appointed 27 October 2005
John C Farrell (Managing Director)	Appointed 30 June 2004
Clive M Bradshaw (Executive Director)	Appointed 30 June 2004
James J van der Meer (Executive Director)	Appointed 30 June 2004
Hugh T (Tony) Parker (Executive Director)	Appointed 25 February 2005
Stuart Cuthbert (Executive Director)	Appointed 30 June 2005
Ross Kestel (Non Executive Director)	Appointed 1 September 2005

DIVIDENDS – VDM GROUP LIMITED

Dividends declared and paid during the period:

	Cents per share	Total amount	Franked / Unfranked	Date of payment
Final 2007	4.0	\$3,670,159	Franked	30 November 2007

A 5 cent fully franked interim dividend has been approved by the directors payable on 30 May 2008 (2007: 4 cent dividend). As the interim dividend was not declared until 26 February 2008, it will be accounted for in the second half of the 2007/08 financial year.

CORPORATE STRUCTURE

The Company is limited by shares and is incorporated and domiciled in Australia. The Company is the ultimate parent entity and has prepared a consolidated financial report incorporating the entities that it controlled during the financial year.

The Group is structured as three divisions, Consulting, Construction and Resources and Infrastructure.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial year were civil, structural and environmental consulting engineering services and construction services to the resource and oil and gas industries, and the commercial, industrial and residential sector. There was no significant change in these activities during the year.

EMPLOYEES

The consolidated entity employed 1,100 people as at 31 December 2007 (30 June 2007: 756).

OPERATING RESULTS FOR THE YEAR

VDM achieved a net profit after tax of \$11.245 million for the financial period ended 31 December 2007, which is an 120% increase on the net profit after tax of \$5.107 million recorded in 2006 for the same period.

Revenue from ordinary activities was \$191.758 million, an increase of 71% on revenue recorded in 2006 for the same period.

A final dividend of 4 cents per share fully franked has been paid, bringing the full-year dividend for 2007 to 8 cents per share, fully franked (2006: 6 cents). The dividend is consistent with the dividend policy which has been established by the directors.

The significant improvement in financial performance over the previous period reflects continuing strong market conditions for consulting engineering services and construction services in the Australian market as well as additional contribution from the acquisition since the last period of Como Engineers Pty Ltd, Bellerio Construction Pty Ltd, Kayano Nominees trading as Rocktec Contracting, and VDM Earthmoving Pty Ltd trading as Malavoca.

DIRECTORS' REPORT

Group Overview

The Group originated in 1978 when Andrew van der Meer established Applied Design Pty Ltd, an engineering practice providing consultancy services largely to the industrial building market. Andrew's brother James (Jim) van der Meer joined in 1986. The Company was renamed Van Der Meer & Associates Pty Ltd and become known as Van Der Meer Consulting. Van Der Meer Consulting positioned itself in new markets, opening local, state-based offices, as well as strategic international offices while maintaining its head office in Perth, Western Australia. The Company was listed on the Australian Stock Exchange in February 2006. VDM Group Pty Ltd is the Group holding company. Following a number of acquisitions over the period since listing the Group is now comprised of three operating divisions as set out below:

Consulting Division

Consultancy services to the industrial building market continue to be part of the Group's core activities.

The Consulting Division comprises:

- Van Der Meer Consulting, operating from offices in Western Australia, Victoria, New South Wales, NT, Vietnam and United Arab Emirates, offers multi-disciplined civil and structural engineering design and project management consultancy services,
- Burchill VDM, a Queensland based civil and structural consulting engineering company, offers master planning, building and infrastructure design and construction supervisory services,
- Belleng VDM, which specialises in environmental engineering, ecological assessment and integrated water cycle management,
- Ewing VDM, which operates from its office in Perth, Western Australia, specialises in civil engineering consulting services,
- EcOz Environmental Services, which is based in Darwin, specialises in environmental consultancy services,
- Barlow Gregg VDM; based in Queensland, Barlow Gregg VDM specialises in structural design, traffic and transportation consultation, environmental assessments and project management.

Construction Division

The Construction Division has expanded during the period and now comprises:

- Keytown Constructions, which provides design, engineering and construction services to the commercial, industrial and residential sectors;
- Civmec, a civil and mechanical engineering services contractor to the mining, resource and oil and gas industries, operating in Western Australia and Queensland,
- A 50% interest in Complete Steel Projects, a fabricator of steel products for the construction industry,
- Wylie & Skene, a building and construction company operating mainly in rural and regional Western Australia, working for clients in oil and gas, mining and government infrastructure sectors,
- A 45% interest in Anagan Pty Ltd trading as Quickloc Building Systems, manufacturers of interior and exterior prefabricated walls,
- Bellerio Constructions, acquired on the 1 November 2007; a building and construction company operating mainly in Queensland.

Resource and Infrastructure Services Division

The Resources and Infrastructure Division has also expanded during the period and now comprises:

- A 75% interest in Cape Crushing which specialises in mobile crushing, screening plants, tailing dam construction, crusher feed pad management and the construction of mining and civil earthworks,
- Como Engineers, acquired on 6 July 2007; consulting engineers specialising in mechanical and mine process engineering,
- The business trading as Malavoca, acquired on the 1 October 2007; civil contractors specialising in earthmoving and road construction,
- The business trading as Rocktec Contracting, acquired on the 2 November 2007; specialising in rock blasting, retaining and sea wall construction.

DIRECTORS' REPORT

Dynamics of the Business

VDM's objective is to build a leading engineering and contracting based business able to provide sustainable long-term profitability and a capability of competing effectively and profitably in diversified markets. The business has a strategy of growth through diversity. Equity positions are taken in other businesses where opportunities having downstream synergies are identified.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS IN THE FINANCIAL PERIOD

On 6 July 2007 the Company acquired a 100% interest in Como Engineers Pty Ltd. The Company paid a total of \$13.3 million, made up of a cash component of \$6.7 million and 2,392,782 VDM Group Limited shares at a value of \$6.6 million.

On 1 October 2007 the Company acquired a 100% interest in the business trading as Malavoca. The Company paid a total of \$49.2 million, made up of a cash component of \$17.7 million and 12,000,000 VDM Group Limited shares at a value of \$31.5 million.

On 1 November 2007 the Company acquired a 100% interest in Bellerio Constructions Pty Ltd. The Company paid a total of \$26.6 million, made up of a cash component of \$12.4 million and 4,970,678 VDM Group Limited shares at a value of \$14.2 million.

On 2 November 2007 the Company acquired a 100% interest in Kayano Nominees Pty Ltd trading as Rocktec Contracting. The Company paid a total of \$16.1 million, made up of a cash component of \$7.5 million and 3,012,312 VDM Group Limited shares at a value of \$8.6 million.

On 16 November 2007, the Company issued 2,253,500 shares at \$2.50, to raise \$5,633,750 pursuant to the Share Purchase Plan.

SIGNIFICANT EVENTS AFTER BALANCE DATE

There have been no matters or circumstances that have arisen subsequent to 31 December 2007 that have or may have a significant effect on the result or state of affairs of the Group in future financial periods.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Other than as referred to in this report, further information as to likely developments in the operations of the consolidated entity would, in the opinion of the directors, be likely to result in unreasonable prejudice to the consolidated entity.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The consolidated entity's operations are subject to environmental regulations under Commonwealth and State legislation. The Board believes that the Group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Group.

SHARE OPTIONS

There are no shares under option at the 31 December 2007.

On the 31 January 2008 the Group offered senior management the right to participate in a share option scheme. The offer closed on 11 February 2008. The number of options taken up in the scheme is 1,720,000. The exercise price for the options is \$2.25. 25% of the options vest on 21 December 2008, 25% of the options vest on 21 December 2009, 25% of the options vest on 21 December 2010 and the remaining 25% of the options vest on 21 December 2011. 820,000 of the options are subject to time conditions only. 900,000 of the options are subject to both time and performance conditions.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has paid a premium to insure the directors and officers of the Company and its controlled entities. Details of the premium are subject to a confidentiality clause under the contract of insurance.

The liabilities insured are costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the consolidated entity.

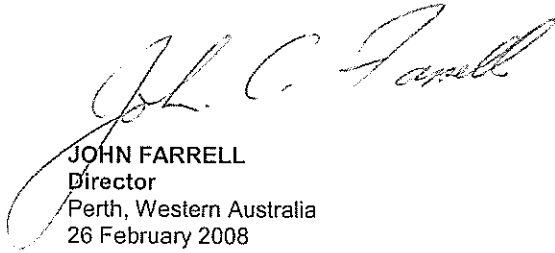
DIRECTORS' REPORT

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The directors received an Independence Declaration from the auditor of VDM Group Limited, attached on page 6.

The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act.

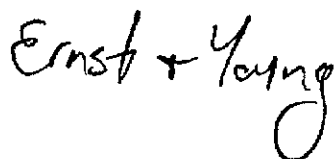
Signed in accordance with a resolution of the Directors.



JOHN FARRELL
Director
Perth, Western Australia
26 February 2008

Auditor's Independence Declaration to the Directors of VDM Group Limited

In relation to our review of the financial report of VDM Group Limited for the half-year ended 31 December 2007, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



Ernst & Young



P McIver
Partner
Perth
26 February 2008

INCOME STATEMENT

For the half-year ended 31 December 2007

	Note	Consolidated Half-year ended 31 December 2007 \$'000	Consolidated Half-year ended 31 December 2006 \$'000
Continuing Operations			
Revenues			
Revenue from services rendered		191,758	112,121
Finance income		842	175
Total revenues		192,600	112,296
Other income	2	654	357
Costs of services rendered		(122,028)	(55,397)
Financing costs		(1,166)	(1,466)
Depreciation and amortisation		(4,056)	(4,098)
Employee benefits		(35,046)	(34,713)
Repairs and maintenance		(4,670)	(3,733)
Other expenses		(9,878)	(5,936)
Share of profits from associates		176	135
Profit before income tax		16,586	7,445
Income tax expense		(4,988)	(2,093)
Net profit for the period		11,598	5,352
Attributable to:			
Minority interest		353	245
Member of the parent		11,245	5,107
Earning per share for profit attributable to the equity holders of the company			
Basic earning per ordinary share (cents per share)	4	10.6	8.0
Diluted earning per ordinary share (cents per share)	4	10.6	8.0
Dividend per ordinary share (cents per share)	3	4.0	3.0

The above income statement should be read in conjunction with the accompanying notes.

BALANCE SHEET

As at 31 December 2007

	Consolidated 31 December 2007	Consolidated 30 June 2007
	\$'000	\$'000
ASSETS		
Current assets		
Cash and cash equivalents	7,825	43,160
Trade and other receivables	73,461	57,256
Contracts in progress	22,940	16,941
Inventories	6,011	1,274
Development properties	2,927	2,693
Income tax receivable	-	1,012
Other assets	2,798	1,288
Total current assets	115,962	123,624
Non-current assets		
Trade and other receivables	282	253
Investments in associates	3,417	724
Property, plant and equipment	71,692	39,440
Deferred income tax assets	3,544	3,131
Intangible assets and goodwill	142,331	48,149
Total non-current assets	221,266	91,697
TOTAL ASSETS	337,228	215,321
LIABILITIES		
Current liabilities		
Trade and other payables	52,413	46,374
Interest-bearing loans and borrowings	36,726	13,924
Current tax liability	733	-
Provisions	5,481	3,902
Total current liabilities	95,353	64,200
Non-current liabilities		
Interest-bearing loans and borrowings	29,088	15,985
Deferred income tax liabilities	9,414	7,519
Provisions	1,329	673
Total non-current liabilities	39,831	24,177
TOTAL LIABILITIES	135,184	88,377
NET ASSETS	202,044	126,944
EQUITY		
Equity attributable to equity holders of the parent		
Contributed equity	180,774	113,368
Retained earnings	18,682	11,107
Parent interests	199,456	124,475
Minority interests	2,588	2,469
TOTAL EQUITY	202,044	126,944

The balance sheet above should be read in conjunction with the accompanying notes.

CASH FLOW STATEMENT

For the half-year ended 31 December 2007

	Note	Consolidated Half-year ended 31 December 2007 \$'000	Consolidated Half-year ended 31 December 2006 \$'000
Cash flows from operating activities			
Receipts from customers		207,615	107,013
Payments to suppliers and employees		(203,305)	(105,971)
Interest received		842	175
Borrowing costs		(1,160)	(1,466)
Income tax paid		(815)	(806)
Net cash flows from/(used) in operating activities		3,177	(1,055)
Cash flows from investing activities			
Purchase of property, plant and equipment		(8,423)	(6,955)
Purchase of intangibles		(973)	-
Purchase of investments		(2,700)	-
Acquisition of businesses, net of cash acquired	6	(45,555)	(3,894)
Net cash flows (used) in investing activities		(57,651)	(10,849)
Cash flows from financing activities			
Proceeds from borrowings		16,478	2,163
Dividend paid		(2,973)	(1,860)
Proceeds from share placement		5,634	-
Net cash flows from financing activities		19,139	303
Net decrease in cash and cash equivalents		(35,335)	(11,601)
Cash and cash equivalents at beginning of period		43,160	13,862
Cash and cash equivalents at end of period		7,825	2,261

The above cash flow statement should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2007

	Note	Issued capital \$'000	Retained earnings \$'000	Total equity \$'000	Minority interest \$'000	Total \$'000
Balance at 1 July 2006		41,957	5,161	47,118	171	47,289
Profit for the period		-	5,107	5,107	245	5,352
Issue of shares		3,515	-	3,515	-	3,515
Minority Interest (on acquisition)		-	-	-	1,627	1,627
Treasury shares		51	-	51	-	51
Capital raising costs		(11)	-	(11)	-	(11)
Equity dividends		-	(1,879)	(1,879)	-	(1,879)
Balance at 31 December 2006		45,512	8,389	53,901	2,043	55,944
Balance at 1 July 2007		113,368	11,107	124,475	2,469	126,944
Profit for the period		-	11,245	11,245	353	11,598
Issue of shares		67,271	-	67,271	-	67,271
Minority Interest adjustment		-	-	-	(234)	(234)
Treasury shares		135	-	135	-	135
Equity dividends	3	-	(3,670)	(3,670)	-	(3,670)
Balance at 31 December 2007		180,774	18,682	199,456	2,588	202,044

NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2007

1) CORPORATE INFORMATION

The financial report of VDM Group Limited for the half-year ended 31 December 2007 was authorised for issue in accordance with a resolution of the directors on 22 February 2008. VDM Group Limited is a company incorporated in Australia and limited by shares, which are publicly traded on the Australian Stock Exchange. The nature of the operations and principal activities of the Group are described in the directors' report.

(a) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report. The half-year financial report should be read in conjunction with the annual Financial Report of VDM Group Limited as at 30 June 2007.

It is also recommended that the half-year financial report be considered together with any public announcements made by VDM Group Limited and its controlled entities during the half-year ended 31 December 2007 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001 and the ASX listing rules

The half year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2007, except for the adoption of amending standards mandatory for annual period beginning on or after 1 July 2007, as described in Note 1 (c).

(b) BASIS OF PREPARATION

The half-year consolidated financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, and AASB 134 Interim Financial Reporting.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

(c) CHANGES IN ACCOUNTING POLICIES

Since 1 July 2007, the Group has adopted the following Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2007. Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the Group:

- AASB101 (revised October 2006) *Presentation of Financial Statements*;
- AASB7 *Financial Instruments : Disclosures*;
- AASB 2005-10 *Amendments to Australian Accounting Standards* (AASB 132,101,114,117,133,139,1,4,1923 and 1038);
- AASB 2007-1 *Amendments to Australian Accounting Standards* arising from Interpretation 11 (AASB2);
- AASB 2007-4 *Amendments to Australian Accounting Standards* arising from ED151 and other amendments;
- AASB 2007-7 *Amendments to Australian Accounting Standards* (AASB1,2,4,5,107 and 128);
- Interpretation 10 *Interim Financial Reporting and Impairment*; and
- Interpretation 11 AASB2 – *Group and Treasury Share Transactions*.

(d) BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of VDM Group Limited and its controlled entities ('the Group').

The financial statements of controlled entities are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist. All intercompany balances and transactions, including amortisation profits arising from intra-group transactions, have been eliminated in full.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which VDM Group Limited has control.

Minority interest represents the portion of profit and loss and net assets in the Robinson Avenue Trust, Australian Protective Engineering Consulting Global Pty Ltd and Cape Crushing and Earthmoving Contractors Pty Ltd not held by the Group, and are presented separately in the income statement and within equity in the consolidated balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2007

2. REVENUE AND EXPENSES

	Consolidated	
	31 December 2007	31 December 2006
	\$'000	\$'000
Other Income		
Gain on disposal of property, plant and equipment	33	19
Other Income	621	338
	<u>654</u>	<u>357</u>

3. DIVIDENDS

Equity dividends on ordinary shares:

(a) Dividends paid during the half-year

Final fully franked dividend for financial year 30 June 2007: 4 cents
(2006: 3 cents – fully franked)

	<u>3,670</u>	<u>1,879</u>
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4. ISSUED CAPITAL

Ordinary shares

	31 December 2007	30 June 2007
Number of share issued and fully paid	<u>120,037,094</u>	<u>94,888,107</u>
Weighted average number of ordinary shares for basic earnings per share calculation	<u>105,844,804</u>	<u>66,299,888</u>
Weighted average number of ordinary shares for dilutive earnings per share calculation	<u>105,844,804</u>	<u>66,299,888</u>

Movement on ordinary shares on issue	Date	Shares	Price (\$)	Value (\$'000)
Balance as at 30 June 2007		94,888,107		113,368
- Como acquisition	6 July 2007	2,392,782	2.76	6,604
- Malavoca acquisition	1 October 2007	12,000,000	2.63	31,510
- Bellerio acquisition	1 November 2007	4,970,678	2.86	14,241
- Rocktec acquisition	2 November 2007	3,012,312	2.85	8,585
- Share purchase plan	16 November 2007	2,253,500	2.50	5,634
- Dividend reinvestment	30 November 2007	253,850	2.74	697
- Treasury shares	6 July 2007	265,865	-	-
- Treasury shares		-	-	135
Balance at 31 December 2007		120,037,094		180,774

NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2007

5. SEGMENT REPORTING

Business Segments	Continuing operations				
	Consulting	Construction	Resources and Infrastructure	Unallocated/ Eliminations	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
31 December 2007					
Segment revenue	27,332	118,478	50,348	(3,558)	192,600
Segment result before tax and finance costs	6,202	3,801	8,155	(1,608)	16,550
Segment result after tax and finance costs	4,335	2,853	4,947	(890)	11,245
31 December 2006					
Segment revenue	17,214	78,366	17,375	(659)	112,296
Segment result before tax and finance costs	2,352	5,369	1,465	(1,124)	8,062
Segment result after tax and finance costs	1,595	3,811	454	(753)	5,107

6. BUSINESS COMBINATIONS

On 6 July 2007 the Company acquired a 100% interest in Como Engineers Pty Ltd. The Company paid a total of \$13,279,479 made up of a cash component of \$6,675,400 (including costs) and 2,392,782 VDM Group Limited shares at a value of \$6,604,078.

On 1 October 2007 the Company acquired a 100% interest in the business trading as Malavoca. The Company paid a total of \$49,227,051 made up of a cash component of \$17,717,051 (including costs) and 12,000,000 VDM Group Limited shares at a value of \$31,510,000.

On 1 November 2007 the Company acquired a 100% interest in Bellerio Constructions Pty Ltd. The Company paid a total of \$26,654,689 made up of a cash component of \$12,413,697 (including costs) and 4,970,678 VDM Group Limited shares at a value of \$14,240,992.

On 2 November 2007 the Company acquired a 100% interest in Kayano Nominees Pty Ltd trading as Rocktec Contracting. The Company paid a total of \$16,111,923, made up of a cash component of \$7,526,834 (including costs) and 3,012,312 VDM Group Limited shares at a value of \$8,585,089.

The businesses acquired enhance existing synergies within the Group and fit within the VDM Group's acquisition strategy.

NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2007

6. BUSINESS COMBINATIONS (continued)

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

	Como \$'000	Malavoca \$'000	Bellero \$'000	Rocktec \$'000	Total \$'000
Cash	(172)	1,125	289	2,698	3,940
Receivables – current	3,364	-	8,209	1,406	12,979
Inventory	-	1,623	-	-	1,623
Contracts in progress	-	-	577	-	577
Other current assets	937	-	494	102	1,533
Property, plant and equipment	323	21,630	3,307	2,860	28,120
Deferred tax assets	30	337	151	28	546
Payables – current	(357)	-	(7,696)	(96)	(8,149)
Intergroup loan - current	-	-	-	(601)	(601)
Interest bearing liabilities – current	-	(3,085)	(173)	(535)	(3,793)
Current tax liabilities	(687)	-	(2,435)	(856)	(3,978)
Provisions – current	(3,115)	(1,124)	(400)	(818)	(5,457)
Interest bearing liabilities – non current	(59)	(12,342)	(874)	(2,012)	(15,287)
Deferred tax liabilities	-	-	(173)	-	(173)
Provisions – non current	-	-	(4)	-	(4)
Value of net assets purchased	264	8,164	1,272	2,176	11,876
Cash paid	6,647	15,000	12,375	7,500	41,522
Shares issued	6,604	31,510	14,241	8,585	60,940
Direct costs relating to acquisition	29	2,717	39	27	2,812
Total consideration paid	13,280	49,227	26,655	16,112	105,274
Goodwill on acquisition	13,016	41,063	25,383	13,936	93,398
Net cash outflow on acquisition is as follows :					
Net cash acquired with the subsidiary	(172)	1,125	289	2,698	3,940
Vendor account payments	(2,668)	-	-	(2,493)	(5,161)
Cash paid	(6,676)	(17,717)	(12,414)	(7,527)	(44,334)
Net cash outflow	(9,516)	(16,592)	(12,125)	(7,322)	(45,555)

From the date of acquisition, Como Engineers, Malavoca, Bellero Constructions and Rocktec have contributed \$4,399,000 to the profit of the Group. If the combinations had taken place at the Beginning of the half year, the profit for the group would have been \$16,298,000 and revenue from continuing operations would have been \$233,514,000.

Fair value determination is provisional on finalisation of the previous owners' vendor accounts and net tangible asset valuations. The carrying values of the acquirees' assets and liabilities immediately before combinations are materially the same as their provisional fair values at the date of acquisition.

7. CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

8. EVENTS AFTER THE BALANCE SHEET DATE

There have been no matters or circumstances that have arisen since 31 December 2007 that have or may significantly affect the operations, results, or state of affairs of the consolidated group in future financial periods.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of VDM Group Limited, I state that:

In the opinion of the directors:

(a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including that they:

(i) give a true and fair view of the financial position as at 31 December 2007 and the performance for the half-year ended on that date of the Group; and

(ii) comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



John Farrell
Director
Perth, Western Australia
26 February 2008

Independent Review Report

To the members of VDM Group Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying condensed half-year financial report of VDM Group Limited which comprises the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the 31 December 2007 end or from time to time during the half-year.

Directors' Responsibility for the half-year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of VDM Group Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

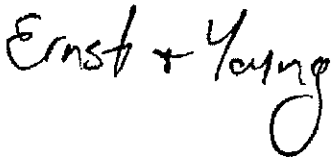
Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of VDM Group Limited is not in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.



Ernst & Young



P McIver
Partner
Perth
26 February 2008